Public Utilities

FORTNIGHTLY

Volume 61 No. 3 January 30, 1958

AN ANTIDOTE TO HIGHER INTEREST RATES
By Willard F. Stanley

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All-levels Conference System for Utilities
By Robb M. Winsborough

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Utility Industrial Development Programs Part II.
By C. E. Wright

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The Electric Industry in 1957

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FORTNIGHTLY

VOLUME 61 — JANUARY 30, 1958 — NUMBER 3

ARTICLES

FEATURE SECTIONS

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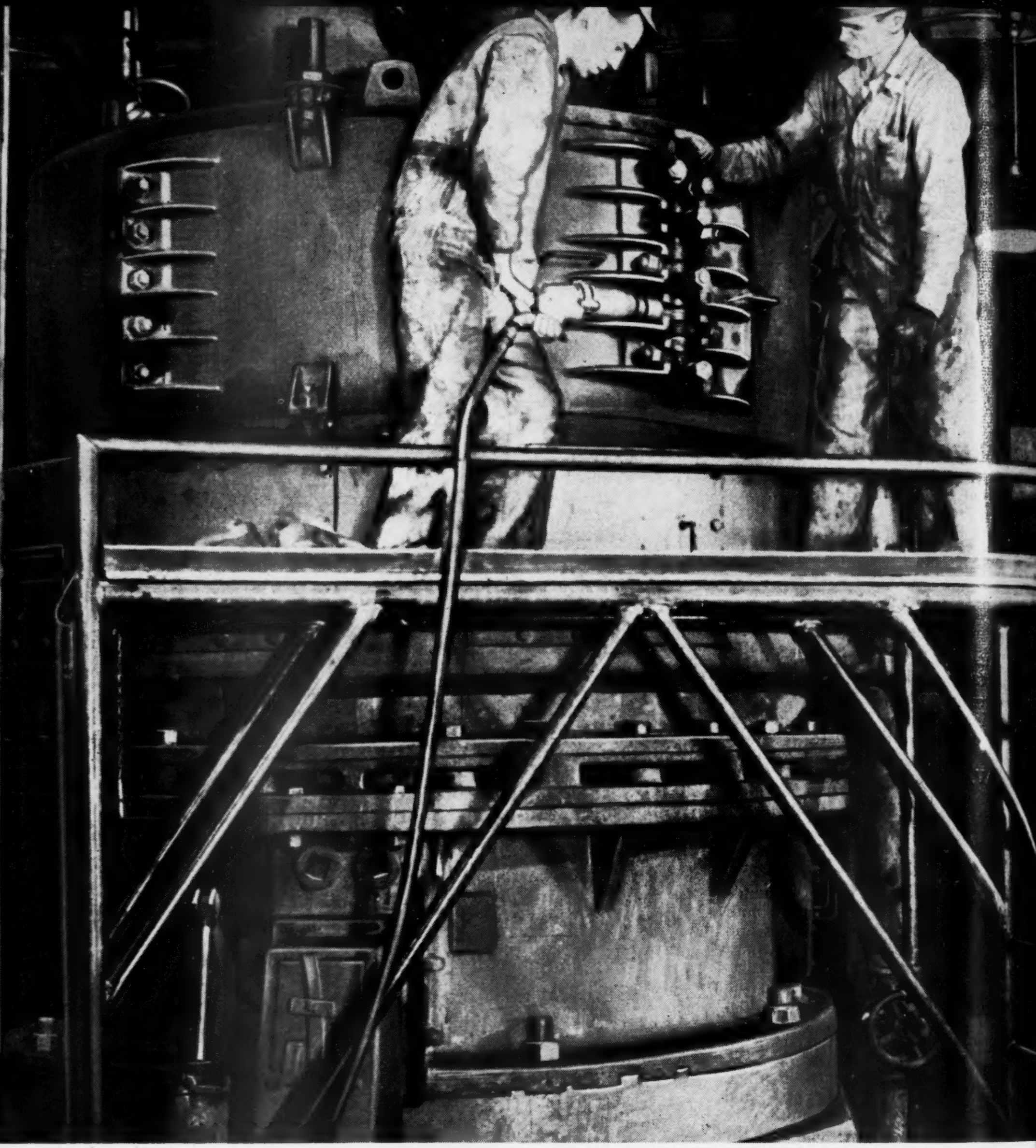

Representative steps in pulverizer disassembly shown here demonstrate eas safety of maintenance. Access doors are opened by impact wrenches. Door swung back, not removed.

B&W Pulverizer Design Simplicit Cuts Maintenance

ompact Units Handle Low Grade Vet Coal Without Capacity Loss

xceptional output and efficiency records... high-ghted by low maintenance... have been established hundreds of installations by B&W Pulverizers. heir long-range dependability has been accompanied reduced operating costs.

Fan Maintenance Minimized, shutdown and ma nance costs reduced because the B&W Pulve primary air fan operates with only clean air. As pri air is supplied to the pulverizers under pressure fuel piping from pulverizer to burners is gr simplified.

Continuous High Fineness, without reductio capacity, is assured as grinding surface is maint with wear. Slow-speed, spring loaded, ball be

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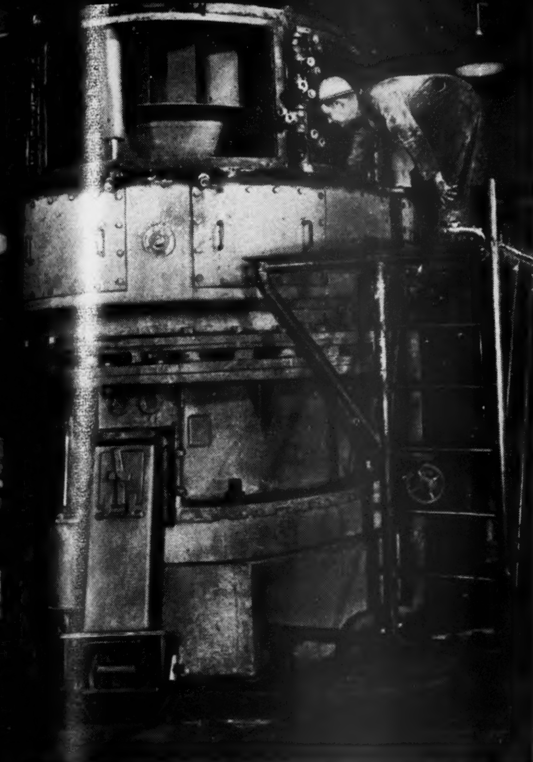
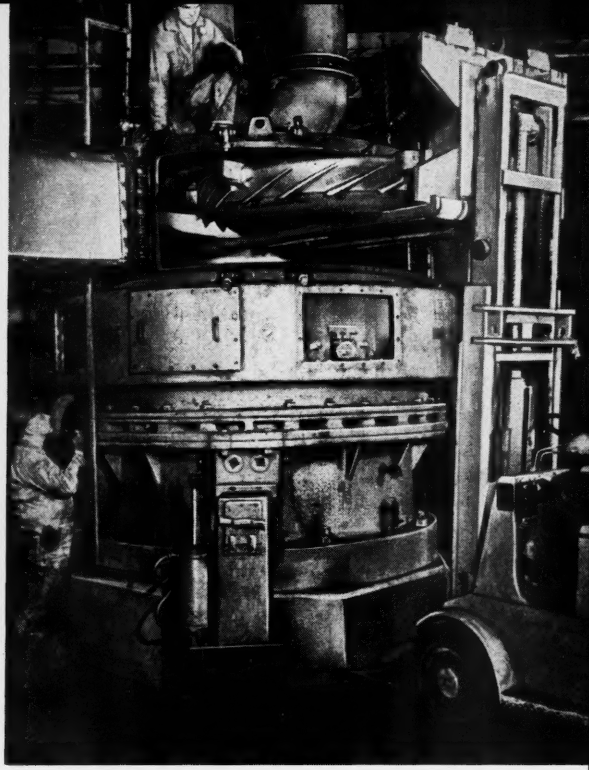
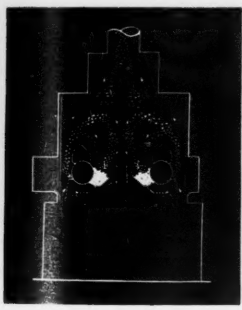


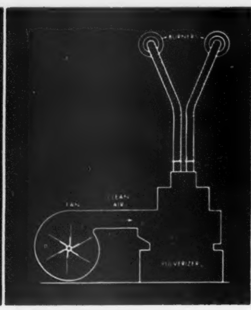
...doors swung open, classifier and spring assemblies are accessible for removal. Grinding components are ...without special rigging.



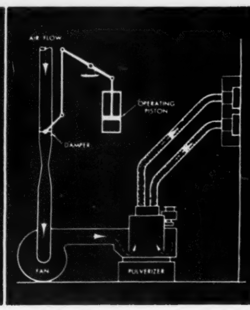
Top grinding ring is lifted by chain falls and, following removal of scaffolding, lifted and transferred by fork lift truck. Lower grinding ring is removed in same simple manner.



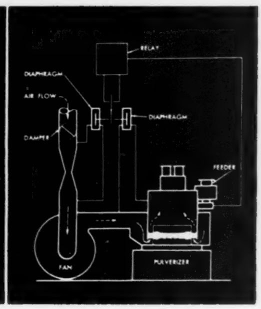
Coal Recirculation assures high fineness, aids drying.



Pressure System eliminates fan wear, simplifies piping.



Air Control maintained at one, simple contact point.



Mill Level Control automatically adjusts fuel-feed.

...ing elements of long-wearing, special alloy ma... maintain this proper grinding contact through... their service life. Dependable classification permits material of proper fineness to leave the unit.

...**Grade Coal,** even wet coal, is handled efficiently. ...sive B&W recirculation of fuel through heated ...sures complete grinding, eliminates shutdowns, ...f capacity, and special attention from operators.

...**Point-Contact** with the boiler simplifies oper... Boiler's automatic combustion control connects pulverizer at the damper in the primary-air duct. ...nit's own control system regulates all other ...ons.

Continuous, Intensive Development by B&W engineers has brought excellent and measurable results to users of B&W Pulverizers. Supported by a national network of plants and engineers, B&W Pulverizers and Pulverized-Fuel Firing Systems open new avenues to operating economy. The Babcock & Wilcox Company, Boiler Division, 161 East 42nd Street, New York 17, N. Y.

BABCOCK & WILCOX

BOILER DIVISION

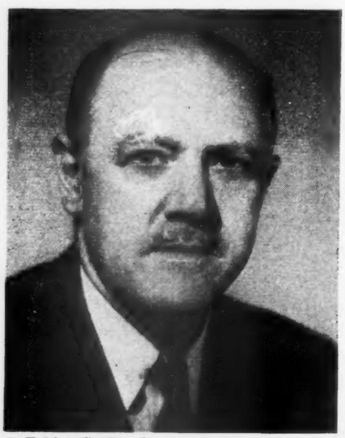
G-84...

Pages with the Editors

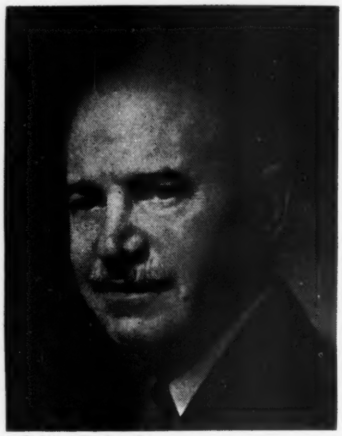
As we listened to the annual State of the Union message to the opening of the second session of the 85th Congress, we could not help but feel that there are stormy times ahead for the President's legislative program. It was President Eisenhower's sixth message to the Congress, and it could be the one which will cause him the most difficulty.

THIS is an election year, and the political opposition in control of Congress seems convinced, for the first time, that there is no further hazard in throwing away their "I Like Ike" buttons and following a very independent course of action. Republicans and Democrats alike, of course, will agree on the need for catching up with and passing the Soviet in the international missile derby. They will probably get together without too much real disagreement on the overall objectives, but at that point any semblance of unity is likely to end.

ALREADY there is loud dispute over the methods for meeting the price tag for the job. There are those congressional critics who see in the "Battle of Sputnik" a chance to sharpen their axes for the destruction of a number of policies and programs which the administration has been trying to carry on in the domestic field.



© *Fabian Bachrach*
WILLARD F. STANLEY



© *Fabian Bachrach*
ROBB M. WINSBOROUGH

PUBLIC utility companies are likely to be interested in what happens here. Anticipating budget cuts in irrigation projects and dam construction, the Senate Interior Committee, headed by Senator Murray (Democrat, Montana), has already announced that we cannot afford to let Russia pass us in the utilization and conservation of water resources. Senator Murray beat the administration's message by several days with a report prepared by former Reclamation Commissioner Michael W. Straus, which notes that the percentage rate of increased electric generating capacity is much higher with the Soviet Union than with the United States, over a given period. The fact that Russia had much less to start with, and that it is easier to build up a percentage from a smaller base, is not given very much emphasis.

As for tax cuts, the very talk of such once promised relief has vanished in the wake of the missile smoke. Telephone companies, which had hoped to make real progress this year on the removal or curtailment of the telephone excise taxes, are wondering if they will even be able to get some commitments from Congress for *future* curtailment or to block the proposed transfer of such taxes to the states.

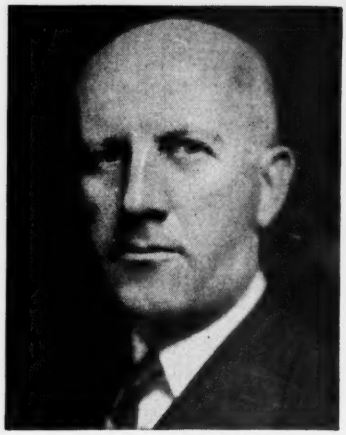
ALL told, it seems like a long and rough-and-tumble session, probably running well into August. But things could happen, especially in the international field, which could change this picture almost overnight to one of comparative unity. Unless and until that happens, public utility companies will still have to be very much on the alert, as in former years when they were favorite targets of quite a few vote-hungry politicians. Utility baiting may not actually make votes, but it seems to have a reputation for doing so. And Congressmen up for re-election are not likely to overlook any bets.

UNDER the circumstances, public utility companies may have to look to regulatory authorities for financial relief and other assistance. Hence the proposal in the opening article in this issue, that higher rates for capitalization of money invested in new facilities under construction might be used to offset the impact of higher capital costs. This is an important matter, in this period of high money costs. According to the author of this article, a former utility executive and financial writer, such treatment is proper and recognized as a necessary part of building any new property.

THE author, WILLARD F. STANLEY, has specialized for more than a quarter of a century in financial corporate accounting and federal tax and legal matters. In 1939 he became secretary and treasurer of General Public Utilities, Inc., predecessor to Southwestern Public Service Company, of which he later became vice president. He is now president of Corporate Services, Inc., of New York city, and his articles on utility finance have appeared in many business and utility publications. He is a member of the Controllers Institute of America and the New York Society of Security Analysts. He serves on three committees of the Controllers Institute having to do with federal taxation, social security, and finance management.

* * * *

ROBB M. WINSBOROUGH, vice president of Middle West Service Company, Inc., whose article on the "All-levels Conference System for Utilities" begins on page 152, is a long-time expert and collaborator on the conference system of educational programs dealing with a better understanding of the American enterprise system. MR. WINSBOROUGH was born in Missouri, grew up in Georgia and Texas, and is an engineer graduate from Rice Institute at Houston. His business career started in the oil fields at home and abroad, but by 1929 he had entered public relations work in the utility field, as director of public relations with the Southwestern Gas & Electric Company at Shreveport. He transferred to Middle West Service Company of Chicago in 1938, and has been with that company continuously ever since, except for a wartime tour of duty with the Army as chief of the field service branch, information and education division. He has had an important part in bringing the Electric Company Advertising Program (ECAP) into existence. He created and wrote the widely used employee information programs on the American economic system and freedom, for which his company won four honor medal awards.



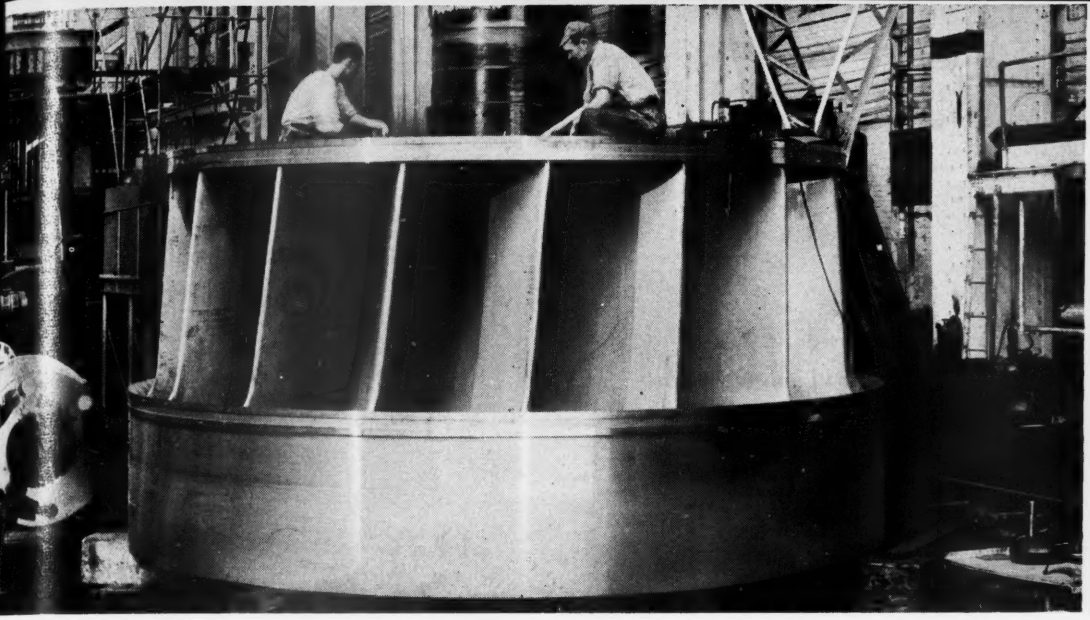
C. E. WRIGHT

* * * *

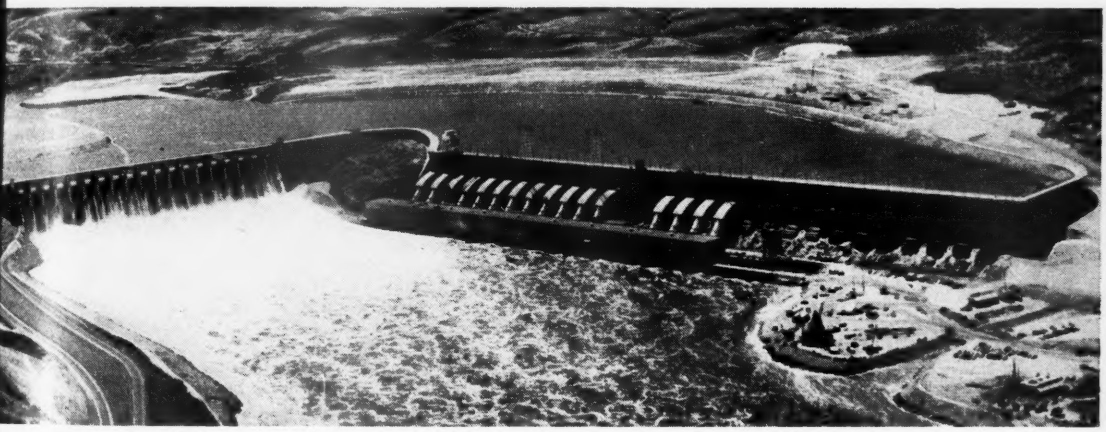
ALSO in this issue, beginning on page 160, is the second instalment of the three-part article on utility industrial development by C. E. WRIGHT.

THE next number of this magazine will be out February 13th.

The Editors



Newport News builds 10 unique runners



For Chief Joseph Dam in Washington State

Cast buckets are welded to cast crown and band—then stress relieved

e Fr...is-type runner above illustrates Newport ws' c...plete facilities for fabricating heavy equipment.

It also ...lustrates the specialized techniques Newport ws fre...ently uses in jobs of this type. Gibson tests these ...nits are very favorable.

Before you go ahead on a project like this, be sure to get a bid from Newport News. Whether it's penstocks, butterfly valves, pumps or turbines, you'll get the benefit of the modern plant methods and production facilities of one of the country's oldest and largest builders of water power equipment.

Engin...eers... Desirable positions available at Newport News f...r Designers and Engineers in many categories. Addre...s inquiries to Employment Manager.

Newport News

Shipbuilding and Dry Dock Company

Newport News, Virginia

Coming IN THE NEXT ISSUE

(February 13, 1958, issue)

★

THE TRI-DAM PARTNERSHIP

This article, by Jane Eshleman Conant, a professional writer residing in the San Francisco area, deals with the controversial subject of partnership projects. Specifically, it deals with the Tri-Dam irrigation and power project on the Stanislaus river in the San Joaquin valley, California. The private enterprise side of this combination is Pacific Gas and Electric Company, while the public agencies are the Oakdale Irrigation District and the South San Joaquin Irrigation District. This did not involve any largesse from Uncle Sam, or bigger bills for the taxpayers. Mrs. Conant tells how the state's welfare has been increased, the farmers benefited, and private enterprise put on a profitable basis of investment, so that everyone concerned has been well-satisfied.

THE LEAVEN OF LOYALTY

This is a story of employee solidarity in a utility company brought to mind through the memory of thirty-five busy years in a utility company. There is a realistic comparison with present-day relationships. The author is James W. Carpenter of Long Island Lighting Company. He does not think that the tradition of loyalty grows so favorably nowadays. But it must be remembered that the newcomers have grown up during a period of social change and revisions of philosophy about government and business relations. It will be of interest to all to reconstruct the attitude of the reliable old-timers.

UTILITY INDUSTRIAL DEVELOPMENT PROGRAMS. PART III.

This is the third and final instalment of a survey of utility company practices in connection with attracting or improving industrial developments in local service areas. It was written by C. E. Wright of Jacksonville, Florida, a business writer of long experience. In this instalment, Mr. Wright discusses the area development programs of the Detroit Edison Company, the Georgia Power Company, Florida Power & Light Company, and Florida Power Corporation. He also notes the effective work done by Southern California Edison Company in building up business operations in its service area. Other electric companies covered in this final instalment include Pacific Power & Light Company and Utah Power & Light Company. The author also discusses the promotional efforts of natural gas organizations such as Columbia Gas Systems Service Corporation, Texas Gas Transmission Corporation, and United Gas Pipe Line Company.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

COURTLAND S. GROSS
President, Lockheed Aircraft Corporation.

"Industry brings about concentrations of population and attendant community problems and therefore it is the responsibility of industrial management to help solve them."

GEORGE E. SOKOLSKY
Columnist.

"If the people know what is going on, they will take what comes in their stride. It is only when secret men do secret things that the country becomes nervous and the people anxious."

W. C. MULLENDORE
Chairman of the board, Southern California Edison Company.

". . . a prosperity structure which is not good for the souls of men is dangerous and will fail. False principles do not become right and are not sanctified by a period of boom prosperity!"

EDWARD MARTIN
U. S. Senator from Pennsylvania.

"Many people in this country do not sincerely object to mild inflation. In moderate doses, it gives the impression of well-being to many of our people. Yet . . . the apparent primrose path of inflation can lead only to disaster."

DONALD K. DAVID
Former dean, Harvard Graduate School of Business Administration.

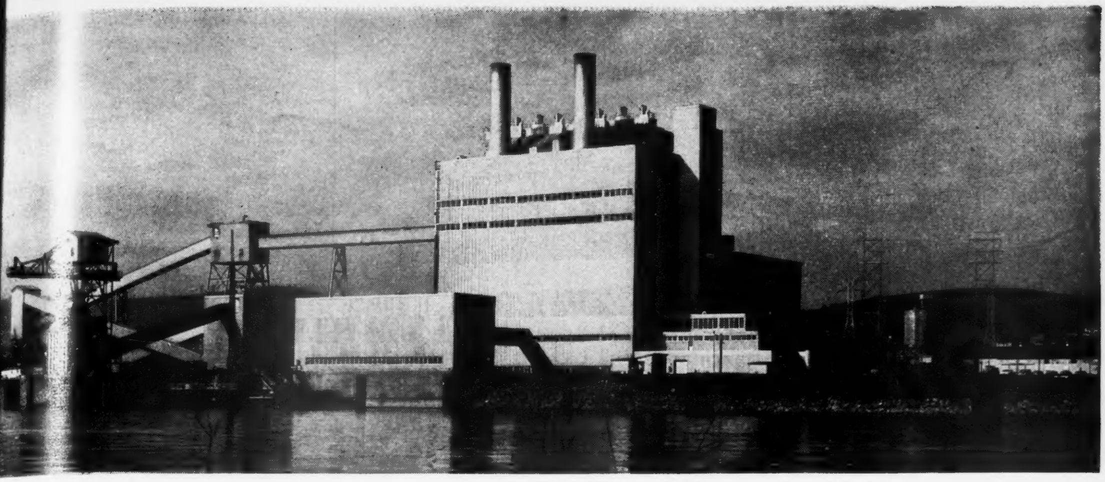
"No man can postpone his participation in public affairs until he attains top management. Each one of us from the moment we enter business must learn to carry part of the responsibility of business to the community in which it lives."

WILLIAM H. GRIMES
Editor, The Wall Street Journal.

"Whoever coined that word 'automation' meant it to describe a process of supermechanization whereby machines would regulate machines without the intervention of human hands. However, the word has been seized upon as describing something entirely new; not only entirely new but something threatening. Of course it is neither new nor threatening. The most familiar example of automation is the dial telephone. That has not cut employment by the telephone companies, and without it modern telephone service would be impossible."

HENRY FORD II
President, Ford Motor Company.

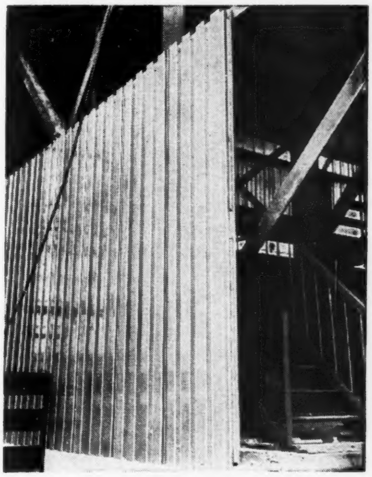
"If we are to take the lion's share of talented people and leave our schools and our government agencies to scrape along as best they can, we shall dry up the wellsprings of our social and political progress and leave for our children a tarnished heritage of mediocrity. We can't let that happen. We in business and industry ought to make a direct, co-ordinated effort to get together with our local educators and legislators to see what needs to be done and what resources are available for the job. Then we ought to start meeting those needs to the very best of our ability."



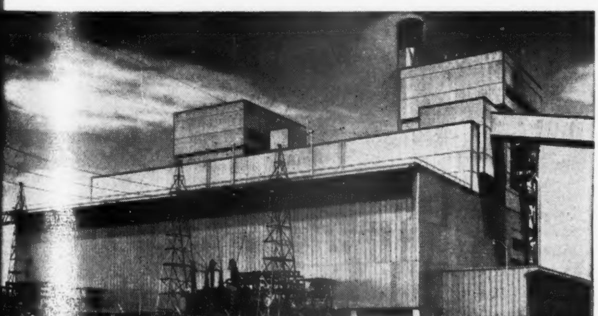
Why fine new power plants everywhere have Q-Panel Walls

Q-Panel walls grace the new Elrama Power Plant (above) near Pittsburgh. It was designed by Duquesne Light Company's Engineering and Construction Department. The Dravo Corporation was General Contractor.

Builders of new power plants in all parts of the country have specified Q-Panel walls for the following very good reasons: 1. Q-Panels are permanent, dry and noncombustible, yet may be demounted and re-erected elsewhere to keep pace with expansion programs. 2. Q-Panels are light in weight, thus reducing the cost of framing and foundations. 3. Q-Panels have high insulation value . . . superior to a 12″ masonry wall. 4. Q-Panels are quickly installed because they are hung, not piled up. An acre of wall has been hung in 3 days. For more good reasons for using Q-Panel construction, use the coupon below and write for literature.



Q-Panel walls (above) go up quickly in any weather because they are dry and hung in place, not piled up.



More than 32,000 sq. ft. of Q-Panels were used to enclose the impressive Hawthorn Steam Electric Station (left) of the Kansas City, Missouri, Power and Light Company. Ebasco Services, Inc., designed and built the plant.

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UTILITIES *Almanack*

JANUARY–FEBRUARY

Thursday—30 *Edison Electric Institute, Dealer Co-ordination Committee, begins meeting, New York, N. Y.*	**Friday—31** *Annual Institute on the Law of Oil and Gas and Taxation ends, Dallas, Tex.*	**FEBRUARY** **Saturday—1** *American Institute of Mining, Metallurgical, and Petroleum Engineers will hold annual meeting, New York, N. Y. Feb. 16-20.* ***Advance notice.***	**Sunday—2** *National Rural Electric Co-operative Association begins annual meeting, Dallas, Tex.*
Monday—3 *American Institute of Electrical Engineers begins winter general meeting, New York, N. Y.*	**Tuesday—4** *American Gas Association begins gas air-conditioning symposium, St. Louis, Mo.*	**Wednesday—5** *American Water Works Association, Indiana Section, begins meeting, Indianapolis, Ind.*	**Thursday—6** *Southern Gas Association ends 2-day accounting management round-table conference, New Orleans, La.*
Friday—7 *Western Winter Radio-TV and Appliance Market ends 5-day western merchandising mart, San Francisco, Cal.*	**Saturday—8** *Minnesota Telephone Association will hold annual convention, St. Paul, Minn. Feb. 17-19.* ***Advance notice.***	**Sunday—9** *National Electrical Week begins.*	**Monday—10** *Edison Electric Institute, Electrical Equipment Committee, begins meeting, Dayton, Ohio.*
Tuesday—11 *National Wiring Sales Conference will be held, Detroit, Mich. Feb. 20, 21.* ***Advance notice.***	**Wednesday—12** *Louisiana Telephone Association begins annual convention, New Orleans, La.*	**Thursday—13** *American Water Works Association, New Jersey Section, begins luncheon meeting, Newark, N. J.*	**Friday—14** *American Public Power Association ends 2-day engineering and workshop meetings, Chattanooga, Tenn.*

Courtesy, Public Service Electric & Gas Company

A Patriarch of Three Score and Seven

This 55-foot creosoted pine pole was set in 1891 on the corner of East 26th street and 12th avenue, Paterson, New Jersey, where it still stands, sound and serviceable.

Public Utilities
FORTNIGHTLY

VOL. 61, NO. 3 — JANUARY 30, 1958

An Antidote to Higher Interest Rates

It would be advantageous, in this period of high money costs, for utility management to offset, if possible, the impact of higher capital expense by applying the same higher rates to the capitalization of the money invested in new facilities under construction.

BY WILLARD F. STANLEY*

IN the last twelve months, interest yields on new issues of utility funded debt have risen 1 per cent or more, from an average of around 4 per cent to about 5 per cent—a percentage increase of more than 25 per cent. Compared with three to four years back, the rise is around 2 per cent in yield, or a percentage increase of nearly two-thirds.

Luckily for the utility industry, long-term money raised in the last year represents only a small portion of its total funded debt. If we assume expansion of facilities at an annual rate of 8 per cent, previously existing debt, issued at lower rates, will constitute nearly 90 per cent of total fixed charges. Interest rates on funded debt of high-grade utilities probably average below 3.5 per cent at present, despite the high rates of 5 per cent or more paid in recent months.

This means that the strain on earnings

*President, Corporate Services, Inc. New York, New York. For additional personal note, see "Pages with the Editors."

is not nearly as great as would superficially appear. In the last few months utility stocks have had to resist selling caused by unwarranted fears that earnings would be reduced materially due to high interest yields on current security offerings. But it is becoming better understood that this impact on earnings is not likely to be severe.

ALTHOUGH it is to be hoped that interest rates may be headed moderately downward over the next year, they seem likely to remain on a relatively high plateau in terms of average interest yields over the past ten years. Decline in the nation's physical expansion—presently estimated at about 7 per cent for 1958 as compared with 1957—may somewhat reduce the demand for long-term funds, but a drastic about-face in interest rates now seems improbable.

The dark cloud of higher money costs may carry a silver lining in proving helpful to utilities in obtaining increases in rates charged to consumers or in resisting reductions in such rates. However, rate increases and reductions are the exceptions in the electric utility field, although rate increases have been fairly prevalent with gas and telephone utilities. So electric utilities, at least, seem destined to have to absorb the higher money costs for a considerable time to come.

There is a means, however, of recovering a portion of the extra cost of currently raising capital which deserves serious consideration by utility management, and that is the capitalization of "interest during construction" at a higher rate.

THIS item is too well known to utility management to require detailed definition here. As most are aware, it represents the cost of money used by the utility in constructing new facilities during the period before the project is completed and goes into service. This item is intended to embrace overall money costs, including a fair weighted average cost of all categories of capital; *i. e.,* bond and debenture interest, preferred stock dividends, and the cost of common stock equity. The latter category comprises not only the cost of common stock capital raised by sale of additional shares, but also a similar cost applied to the amount invested in the form of retained earnings applicable to the common stock.

Inclusion of "interest during construction" in the cost of new facilities is expressly permitted by the Uniform System of Accounts of the Federal Power Commission and also by the similar Uniform System of the National Association of Railroad and Utilities Commissioners. It is not mandatory, and therefore many utilities, for various reasons, have not followed the practice of capitalizing the cost of money used in constructing their property additions.

WHILE the item of interest during construction appears separately as a credit to the utilities' income in their detailed income statements, the exact policies followed by the various companies are not disclosed in their published statements. For instance, some electric utilities may capitalize interest during construction as to major plant projects only; others may extend the practice to transmission line installations; still others may also elect to capitalize the cost of money used in constructing distribution substations. The test may be the kind of property or it might

be a dollar amount per construction project. And, of course, the policy may be not to capitalize this item as to any property additions.

Theoretically, capitalization of this item is permitted by the uniform accounting systems as to each and every construction work order, no matter how small in dollars or short the work might be. But bookkeeping and other paper work make it feasible, as a practical matter, to apply the practice only to projects having a considerable cost and where the construction work involves a reasonably long period. Items involving only small dollar amounts and which can be completed within days or weeks at most, such as distribution extensions of electric utilities to serve new residential customers, etc., do not lend themselves to capitalization of interest during construction.

As a general rule, it might be said that in the absence of special reasons, or of some special policy of the local state regulatory commission, it should usually prove most beneficial to the utilities to apply the practice of capitalizing interest during construction to the maximum amount of their construction expenditure, although this means dealing with a larger number of individual work orders. Special utility commission policy is mentioned because the commissions may differ both as to the scope of such capitalization and also as to the specific or overall rates allowed for this purpose. There may also be differences among them as to the proper method of computing the weighted average cost of money which constitutes the overall "interest during construction" rate. Methods of calculating the cost of common stock equity capital may also differ among them.

If a utility has been following the practice of capitalizing interest during construction as to certain categories of its newly constructed facilities and has, for example, been applying an over-all rate of 5 per cent for this purpose, should it not now consider the desirability and propriety of increasing the overall rate to 6 per cent, in order to reflect the higher money costs which have been developed over the past eighteen months? Statistics indicate that in the past year overall money costs may have increased by something like 15 per cent for electric utilities with AAA rated bonds, and slightly higher for those with bonds rated AA and A. This average increase is based on the approximately average proportions of capitalization as between debt and preferred and common

¶ "THE *dark cloud of higher money costs may carry a silver lining in proving helpful to utilities in obtaining increases in rates charged to consumers or in resisting reductions in such rates. However, rate increases and reductions are the exceptions in the electric utility field, although rate increases have been fairly prevalent with gas and telephone utilities. So electric utilities, at least, seem destined to have to absorb the higher money costs for a considerable time to come."*

stock equity. A 20 per cent increase in the rate of interest during construction (such as the 5 per cent to 6 per cent increase mentioned above) does not seem unreasonable for the average utility.

To carry out this concept, let us assume for our example an electric utility having $200 million of gross assets and which is expanding at the rate of 8 per cent per annum in its physical facilities. On this basis, annual construction would amount to $16 million. For simplicity, this annual increase has not been compounded over more than annual periods. On this assumed situation the construction funds might be raised as follows:

		Millions of Dollars
Depreciation cash (2.5% of $200 million)		5.00
Sale of bonds (about 55% of total new capitalization; *i. e.*, $16 million less $5 million depreciation cash)		6.00
Sale of preferred stock (about 10% of such new capitalization)		1.00
Common stock equity (about 36% of such new capitalization, consisting of)		
Retained earnings (30% of assumed common stock earnings amounting to 12% of common stock equity; *i. e.*, 37% of $200 million gross assets less $50 million accumulated depreciation reserve)	2.20	
Sale of additional common stock	1.80	4.00
Total		16.00

Let us further assume that of the $16 million of property additions constructed annually, about 40 per cent are power plant production additions and another 15 per cent transmission line additions, the balance of 45 per cent comprising distribution and miscellaneous additions. Of these latter, about 10 per cent (or about 5 per cent of total additions) might consist of substations or other fairly costly and readily identifiable additions consuming considerable time in their construction.

Under these circumstances an increase in overall money cost from 5 per cent to 6 per cent would apply to about 60 per cent of total annual additions, or $9.6 million, and would therefore increase the book cost of the total annual additions by $96,000, or 0.6 per cent. Common stock earnings would increase for that year by the amount of such enhanced cost of facilities, or $96,000, by virtue of the credit to income for additional interest during construction.

Existing federal income tax law and regulations give corporate taxpayers the privilege of capitalizing interest during construction and taking up the amount so capitalized as additional taxable income, or, in the alternative, of refraining from so capitalizing this item for income tax purposes (even though capitalized on the taxpayers' books). In case the latter alternative is elected, neither the cost of the facilities nor taxable income is increased. There seems to be nothing improper in a utility adopting a different treatment of this item for accounting and tax purposes; *i. e.*, capitalizing interest during construction on the books and for consumer rate base purposes but not capitalizing the item in calculating the income tax base for the property additions and not including the item as additional taxable income. It is understood that some utilities presently follow this latter practice without objection either from state regulatory bodies or the Internal Revenue Service.

Assuming a utility has arrived at the decision that capitalization of inter-

Interest on New Construction Funds

". . . it appears that utility management would be wise to endeavor to offset partially the impact of higher money costs by applying the same higher rates to the capitalization of the money invested in new facilities while in process of construction. This treatment is entirely legitimate and recognized as a necessary part of the cost of building any new property. At the higher money rates now prevailing, adoption of such a policy where not previously in use, or upward adjustment of the rate used, where the policy is already being followed, should produce benefits far transcending the cost of the additional record keeping."

est during construction for consumer rate base and accounting purposes is advisable and proper, it would seem most advantageous to it to refrain from capitalizing the item for income tax purposes. This is because taxable income would be increased and a tax thereon would become promptly payable if the item is capitalized for tax purposes. In that case an equal amount is added to the cost of the new facilities in arriving at the tax base, so that the amount of additional taxes paid presently would be recovered in the future over the life of the facilities in the form of higher annual deductions for depreciation. This assumes continuance of identical tax rates for the life of the property.

However, by paying the tax immediately, the utility loses the interest-free use of the additional taxes for a period equal to approximately half the life of the new facilities. Computed at a 6 per cent rate over a period equal to one-half an average life expectancy of thirty-six years, this loss of

the use of the additional taxes could cost the utility around 200 per cent of the amount of additional taxes paid for the year in which the facilities were constructed. This loss is avoided if interest during construction is not capitalized for tax purposes.

By treating the matter differently for tax and accounting purposes, two sets of records must be maintained as to the new property, but where the amounts being capitalized are large (as will be the case where the amounts expended for large construction items are substantial), avoidance of the loss of the use of the tax money over a long period should far offset the trouble and expense incident to maintaining the two separate sets of records. Utilities have become accustomed to keeping two sets of records for the same property because of their adoption of accelerated amortization under the 1950 Revenue Act or rapid depreciation under the 1954 Revenue Act. Furthermore, in many cases book and tax costs of previously acquired properties differed, thus requiring two costs to be maintained for tax and book purposes, respectively. So there is nothing new in principle in maintaining the two sets of records.

More important to utilities than the increased book income (which, at the utility's option can be made nontaxable in the year received) is the increase in the plant account and, consequently, in the allowed rate base, which results from increasing the cost of new facilities by revising upward the rate taken for interest during construction in the light of current high money costs.

On the basis of the example mentioned above and assuming continuous expansion at a $16 million annual rate, the increment to the rate base would be $96,000 per annum or $480,000 over a five-year period. In ten years this increment would amount to nearly $1 million.

With an allowed return of 6 per cent, this would entitle the company to an increase in net operating revenues of nearly $30,000 per annum at the end of a five-year period, and nearly $60,000 after ten years had elapsed. True, this increase in earnings would arise only on the occasion of a rate adjustment and might, therefore, be postponed for a considerable time as a practical matter. Nevertheless, it furnishes an added cushion if and when rate controversies arise. In certain instances this factor alone might even justify a rate increase or protect against the institution of adverse rate proceedings by regulatory authorities.

All the foregoing has dealt with the desirability of considering whether the rate taken for interest during construction should be revised upward in the light of today's high money costs. It is even more important, however, that those utilities which have not to date adopted the policy of capitalizing interest during construction, should give this matter their serious consideration. What may have appeared to utility managements to be inadequate benefits to justify the expense and trouble incident to the record keeping involved in such capitalization, in terms of the relatively low money costs of a few years ago, may now, at the substantially higher rates prevailing, be deemed a sufficient incentive to warrant the additional work.

In the case of the example of the $200 million electric utility above cited, the

initiation of such a policy by a utility would result in benefits six times as great as the amounts shown above, which are based on an increase in the rate taken for purposes of such capitalization from 5 per cent to 6 per cent. This assumes the utility would apply an initial rate of 6 per cent when the policy is adopted.

The increase in book income for common stock would rise annually from $96,000 to nearly $600,000 on the above assumptions and in a five-year period the rate base would increase by nearly $3 million, with an entitlement of additional return to the utility of about $175,000 at the end of a five-year period of such accumulations to the rate base, and nearly $350,000 a year after ten years of such accumulation.

EVEN if the policy for capitalizing this item were limited to applying it only to the most readily identifiable construction items, such as major power plant additions, thereby limiting the record keeping to a minimum, the above estimated benefits would operate to the extent of two-thirds of the above figures, assuming such major plant additions constituted 40 per cent of total annual additions rather than the 60 per cent thereof to which the policy was assumed to apply in the example above.

TO conclude, it appears that utility management would be wise to endeavor to offset partially the impact of higher money costs by applying the same higher rates to the capitalization of the money invested in new facilities while in process of construction. This treatment is entirely legitimate and recognized as a necessary part of the cost of building any new property. At the higher money rates now prevailing, adoption of such a policy where not previously in use, or upward adjustment of the rate used, where the policy is already being followed, should produce benefits far transcending the cost of the additional record keeping. Furthermore, these high money rate levels make it advisable that such a policy be applied to the largest possible portion of construction expenditures.

Not Hopeless

"A TOUCH of authority has been given to the general belief that an informed person is better equipped than his uninformed associate to cope with dislocations in life. Pomona College gives that substantive information following a survey among its students.

"Of the 164 who participated in the test, the upper-bracket students were far less inclined to believe the United States is headed for discard in an atomic ash pile than those whose scholastic station was lower in grading.

"Whether the uncertainty be economic, political, or military the same conclusion can be expected. To be informed is to be forearmed with knowledge that uncertainties are inevitable, that there is a way out if calm reasoning and diligence are applied."

—EDITORIAL STATEMENT,
Los Angeles Times.

All-levels Conference System For Utilities

This article is written by an acknowledged expert on the conference system of educational programs. He is a collaborator on a well-known text dealing with a better understanding of the American enterprise system. This particular form of technique is one of several approaches being used in training utility personnel to get a better grasp of the general economic structure. The author explains how a utility company can reorganize its managerial structure so as to accommodate a continuous and intensive program of educational activity built around the conference system.

By ROBB M. WINSBOROUGH*

THERE is very general agreement among executives and public relations people that informed employees are one of the most effective public relations forces that any business can have. How effective employees are in informing the public and in influencing public attitude was established by Opinion Research Corporation some years ago in two separate studies of company-community relations.[1]

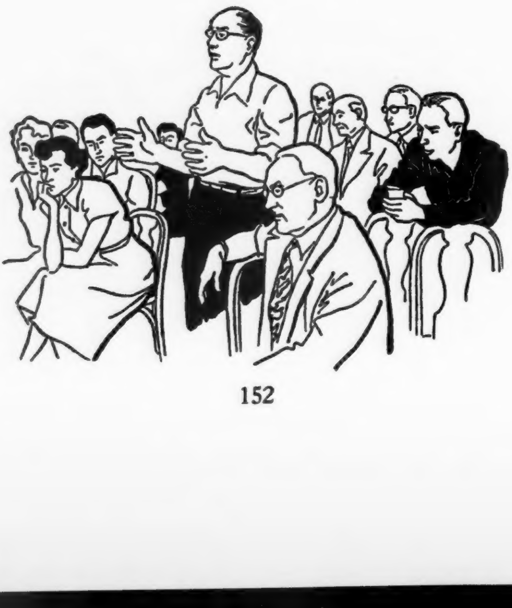
Those studies investigated public knowledge of and public attitude toward manufacturing plants in six different towns. People were asked questions which revealed how much they knew about different manufacturing companies and the sources through which they learned about the companies.

The studies revealed that the primary source of information was the employees of the company, and it outdistanced every other source.

A large part of the people who knew enough to have an opinion of any of the six companies either knew someone who worked there, or knew someone who did

*Vice president, Middle West Service Company, Inc. Chicago, Illinois. For additional personal note, see "Pages with the Editors."

[1] Opinion Research Corporation, Public Opinion Index for Industry, December, 1946, *How to Get Along in the Plant Community. Ibid.* February, 1951, *Community Relations and the Mobilization Job.*



know someone who worked there. This feedback of information from the employees was more important in forming public attitude than all of the advertising which the companies had done and all of the literature which they had released and all of the news stories about them.

THAT essential finding of fact has an important relationship to the present struggle between the government ownership forces and the investor-owned electric light and power companies.

Ultimately, the people of the United States will determine whether or not the electric industry in the United States is government - owned and -operated or whether it continues to be privately owned and operated.

The people will work their will through the normal political channels, the city governments, state legislatures, the U. S. House of Representatives, and the Senate. The elected representatives of the people will enact or repeal the laws necessary to put into effect the desires of their constituents, or what they think are the desires of their most active constituents.

Existing pressure groups favoring government ownership will continue to apply powerful pressures to influence Congress, state legislatures, city officials, and the general public in the direction of more and more government ownership. Candidates for Congressman and Senator will especially feel the pressure of the organized forces for more government ownership.

Most voters will probably cast ballots for one candidate or the other without giving much thought to the candidate's position on government ownership. In most election contests it has not been an active issue and the position of the winning candidate on that issue has seldom been clearly stated before election. There are obvious and well-known exceptions to the foregoing but, in most cases, the issue has not been important in the individual candidate's campaign. Only after election, when some legislative vote becomes necessary, is the elected representative's position usually clarified.

IF the electric companies are to win the fight against the forces of statism and government ownership, then the electric companies must see that the general public has a much better understanding of the electric industry than the public now possesses. Every public opinion survey made in recent years has revealed that the public has surprisingly little understanding of the electric light and power industry, or the real issues underlying the drive for government ownership.

One direct and powerful method for trying to correct the general state of public misunderstanding is to inform the employees of the electric companies and encourage them to talk to their friends.

There are more than 300,000 employees of electric light and power companies in the country. There are more than 46 million residential customers. That means there is one electric company employee for every 153 electric residential customers, which means approximately that number of families.

Few other businesses possess the great advantage the electric light and power companies have in this relationship between employees and customers. Generally speaking, these employees of the electric company are geographically distributed in proportion to the location of the customers. Consequently, a program of

customer contact is well adapted to the geographic distribution of electric company employees.

To make such a public contact program successful, electric company employees must be well-informed about the electric business and work hard at contacting their friends and neighbors to talk about the electric light and power business and the government ownership issue.

The first step is to see that all employees are really informed. One method which works very well is to set up a structure of regular employee conference groups throughout the company, and to schedule a regular series of discussion meetings in which all employees of the company take part.

This seems like a formidable task, and indeed it is a task of some size. Nevertheless, it can be done without disrupting the organization and without imposing any great inconvenience in the conduct of the normal operations of the company, and for very little added cost.

The top management decision to be made is to decide that the employees are going to be informed, and that the primary method used to do it will be direct conference discussion. Once this top management decision is made, and a responsible and capable staff executive is made responsible for execution of the plan, the actual carrying out of the decision is relatively easy, although it will require intelligent and dedicated work.

THERE are many reasons for believing that the conference technique for informing employees works faster and accomplishes more lasting results than many forms of employee information activity.

Once the decision has been made, the number of conference groups is determined on the basis of not having any group of more than twenty-five people or less than nine or ten people.

If the groups average twenty in size, there must be 50 conferences on any one subject to cover each 1,000 employees. At first this seems like a great many conferences, and it is. But if the conferences are one hour each in length, this simply means each employee spends only one hour in a conference, regardless of how many conference groups there may be. Some of the conference leaders may have to spend two or three hours leading that many different conference groups.

One of the keys to the success of such a program is the selection and training of competent, qualified conference leaders. If they are properly selected and trained, and

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each conference is properly prepared in advance, the conference leaders will make the employee information program a tremendous success. If they are not properly selected and trained and if the necessary preparatory work is not done on the conference outlines, the conference program will fail.

There are various ways for picking conference leaders, but what may be the best way is to select them on the basis of intelligence, which means ability to learn and think rapidly, and geographic distribution throughout the company. Articulate people, with intelligence, will do better than those for whom talking is uncomfortable or difficult.

To locate these potential conference leaders, list the number of employees by geographic areas. On the basis of twenty employees to the group, work out the number of conference groups required. Figure that no conference leader should have to lead more than two or three conferences on any one subject. That will spot the location in which conference leaders must be found, and the number needed.

The person in charge of the conference program then goes into that area of the company and confers with the management. A group of prospective conference leaders is designated by the local management people in collaboration with the man in charge of the program. These people are then given a simple intelligence test, if the company does not already have test scores on them.

The best conference leaders will be articulate, stable people who have an intelligence score from above average to very superior. They will be able to learn the new subject matter of each conference quickly. They will be able to think rapidly on their feet and thus handle questions effectively. They are likely to be willing to do the necessary extra preparatory work needed to conduct a good conference.

As quickly as ten or fifteen conference leaders have been selected, the company can start training the conference leaders in how to lead a conference. This is training in a specific skill. It develops the ability to moderate and lead a discussion group in the technique known as "conference." A specific amount of training (five days) is needed for potential leaders to understand what they are doing when they are leading a conference. Without this specific training, leaders are likely to muddle around and not accomplish very much with a conference group. With this training under their belts, brand-new leaders can take a new subject and do a very creditable job of conducting a beneficial conference. The skill in leading conferences improves with practice, and the leader benefits from the skill in all of his daily work contacts as well.

The training in conference leadership requires five full workdays. It should be carried on in groups of not more than seventeen people because larger groups will not permit sufficient practice time for the men to become effective. Twelve to fifteen make an ideal group. A group smaller than ten makes it difficult because there may not be enough discussion for training.

The five-day training course consists of a certain amount of lectures by the instructor and a great deal of coaching and practice for each individual in the group. As the theory of conference lead-

A Top-level Responsibility

"For most effective results, the entire employee information activity should be the direct responsibility of an executive on the general management staff, with direct access to the chief executive, and with further responsibility for carrying out the entire program. He should be clothed with sufficient authority to assure co-operation throughout the whole company. When this is done, the program receives full organization co-operation because the chief executive has indicated his own belief in its importance. Because the chief executive thinks it is important, other people in the company come to realize its importance, and the work gets carried out."

ership comes to be understood, five days of actual practice sessions turn the students into effective conference leaders.

This training in conference leadership and subsequent practice in holding regular conferences is management development of a specific and worth-while kind. It spots the people who possess leadership. It trains them in being better leaders. It gives them a great deal of practice in leading a group of fellow workers in a work situation.

Almost always, the men selected and trained as conference leaders begin to be promoted. This is a result of their natural ability combined with an opportunity to show what they can do in an operation which attracts management attention to them. In one company, out of forty leaders trained, fourteen were promoted within two years.

The subject matter to be handled in a program of employee conferences depends upon the goal the company seeks.

The employees themselves, when they are asked what they would like to talk about in conferences, come up with a list which is surprising to many people. It contains many of the subjects the management would like to talk to the employees about.

In one company of 1,500 employees in the Southwest, the employees were asked to list the five topics which they would

like to have for conference topics. The suggested topics, in descending order of preference, were as follows:

Employee-selected Topics

1. Company-employee Relations.
2. Employee Benefit Program.
3. Company Future Prospects.
4. Customer and Public Relations.
5. The Government Ownership Problem.
6. Human Relations.
7. Safety Program.
8. Qualification for New Employees.
9. Interdepartment Relations.
10. Rates and Rate Applications.
11. Construction Program and Budget.
12. Wages—Salaries.
13. Company Organization.
14. Operation of Power Pool.
15. New Business Program.
16. Electric Company Terminology.
17. Induction and Orientation Program.
18. Company Annual Report — Last Year's Operations.
19. Taxation.
20. Training Program.

OUT of such a list of employee-suggested topics it is easy to select items closest to the employees' hearts and deal with those first. This permits employees to vent any resentments which may exist. It clears the air and sometimes brings to management's attention things which have been overlooked. It causes the employees to recognize that the company is on the level in saying the company wants to conduct a conference program of really free discussion.

Subjects on company operation, the annual report, questions of government competition, etc., are all easily adapted to conference presentation.

TO make sure the employees will be free to talk, it is generally advisable to have the conference groups consist only of people of one level. Specifically, no employee should be required to be in a conference with his boss. No matter what people say about being free to talk in the presence of their boss, the fact is that the boss is a damper on free discussion in an employee group.

The only way to be sure the discussion is free is to keep the boss out of the meeting. Let him attend a meeting with other bosses, where their boss is not present.

That kind of arrangement throughout the company puts supervisors in conferences with other supervisors. It puts department heads in conferences with other department heads. It puts rank and file in conference with rank and file. In groupings of this sort a really remarkable freedom of discussion develops. The leaders are generally of little or no higher rank, and may be, and often are, of lower rank than the group members. In no case should the leader be a supervisor of the group in which he is holding the conference.

IN order for management to know what is going on, it is necessary that a report on the conference be sent up through ordinary channels. In this way, all of the people up to the head of the department, the division, power plant, or operating unit see the report.

It is also desirable that the conference leaders have a method of reporting, outside of channels, directly to the man who is in charge of the conference activity for the entire company. This permits a much

faster handling of unanswered questions which come up in the conferences. It also brings directly to the attention of the people in the general office employee questions which might get choked off going up the line of supervision.

It is not the purpose of the conference leader, nor the conference report, to bypass or undermine local supervision. On the other hand, it is a part of the purpose of the conference report to see that management knows the legitimate questions which the employees have brought up in the conference meeting. It is also important for management to see that these questions are answered in accordance with company policy. For that reason, the man in charge of the program must supervise sending back of all answers to conference groups.

In that way a uniform policy of answering questions can be adhered to.

A SIMPLE form of one-page conference report can be developed which will accomplish those purposes. On it the conference leader records necessary data about time, place, name of group, number present, subject discussed, etc. He also puts down his own estimate of the success of his conference. He reports unanswered questions which arose and matters of great interest which came up in the discussion. He reports requests employees make for additional information on the subject of the conference or on other subjects.

During the early months of such a conference program it is quite likely that some resentments will break out into the open and some hot questions will come in for handling. If the questions are handled honestly and straightforwardly, the conference leaders will be able to present answers to their groups in a satisfactory way and the groups will accept the answers.

This is not to say that the management must grant every request which comes in. That cannot be done. But what can be done is to send back clear, well-reasoned, honest answers to the questions, even though the answer is one which disappoints the man who asked the question. If the answer is really reasonable, the employee can be persuaded to see it that way, although he may not always be pleased.

What results from this kind of treatment is that after six months most resentments have been vented and answered. While there still may be things the employees would like to have changed, they understand much more clearly the reasons why certain things cannot be done. This in itself makes for a great improvement in employee morale.

¶ "THERE *are many reasons for believing that the conference technique for informing employees works faster and accomplishes more lasting results than many forms of employee information activity. Once the decision has been made, the number of conference groups is determined on the basis of not having any group of more than twenty-five people or less than nine or ten people. If the groups average twenty in size, there must be 50 conferences on any one subject to cover each 1,000 employees."*

In addition to company topics, subject matter of the conferences can include matters of government ownership and government competition. In well-led conferences this becomes an interesting subject. Those attending the conference achieve a better grasp of the subject from discussing it than would be possible from simply reading about it, if you could persuade them to read about it.

With the greater amount of information the employee gets in the conference program, his self-confidence in conversation increases. As a natural result of the conference program, the employees can move into a program of calling on and talking with their friends. They will already have had similar discussions in the conferences. They will know how to answer the usual arguments which may come up. They will feel a sense of assurance in dealing with these questions.

Such a program of all-employee conferences produces a body of rank-and-file employees very much better-informed and self-confident than any other method we know of at this time. It is probably the best and, in the long run, the cheapest and most effective method available to us for launching a successful employee information program as the basis for a continuous public relations program for the electric industry.

Such a conference setup provides top management with a remarkably fast, flexible, and effective channel for communication on any subject. Every employee in the company can be reached and given free information on any topic within twenty-four to forty-eight hours. The information is put directly in the hands of the conference leaders, who are sufficiently skilled and well-trained to present it at once to their regular conference groups.

For most effective results, the entire employee information activity should be the direct responsibility of an executive on the general management staff, with direct access to the chief executive, and with further responsibility for carrying out the entire program. He should be clothed with sufficient authority to assure co-operation throughout the whole company. When this is done, the program receives full organization co-operation because the chief executive has indicated his own belief in its importance. Because the chief executive thinks it is important, other people in the company come to realize its importance, and the work gets carried out. Then the end result is achieved, better-informed employees, better-informed customers and public, and a stronger, more able group of potential managerial employees is developed and trained for leadership.

Not the least value of such a program is the improved climate of company-employee relations. The employees come to understand company problems in a wholly new light. Better co-operation and improved morale are extra, and important, dividends from this employee conference activity.

¶ *". . . interests of our citizens are best advanced by encouraging state and local governments to strengthen themselves and thus keep as much government responsibility as possible in the states and communities."*

—Rowland R. Hughes,
Former Director, Bureau of the Budget.

Utility Industrial Development Programs

Part II.

The author's second instalment of this three-part series deals with the impact of industrial migration on utility service and vice versa. There are a number of factors which must be considered in locating or relocating an industry, including the availability of utility service.

By C. E. WRIGHT*

One of the pioneers among utilities in industrial development, and a vigorous exponent of its efficacy, is the Philadelphia Electric Company, which started in that field more than twenty-five years ago. Depression and war halted the work, but in 1950 a revived industrial and commercial development division became a part of the sales department. Its staff consists of a manager, three assistants, and two secretaries.

In addition to its high-cost advertising campaign in national media, Philadelphia Electric makes use of a mailing list which includes 6,250 concerns throughout the United States employing more than 200 persons, a list of about 350 foreign banks, consulting engineers, and locating services, and a list of about 1,250 major Philadelphia Electric customers. Each one on this list receives four pieces a year of area development literature. This is worked out in co-operation with the chamber of commerce of greater Philadelphia, which produces three pieces a year, and the city of Philadelphia, which produces

*Free-lance writer, resident in Jacksonville, Florida. For additional note, see "Pages with the Editors."

three or four a year. All use the same master lists so that these prospects receive one piece of literature every month.

Philadelphia Electric keeps in its files up-to-date lists of available industrial sites, which are published in site books. Each plan has a drawing of the site and a data sheet giving location and description of the ground, the zoning, streets and highways, railroads, local transportation, and the available utilities such as electricity, gas, water, and sewers. As of recent date, Philadelphia Electric had a listing of 330 such sites with a total area of 16,000 acres. It also lists available industrial buildings with amount of floor space and features of the structures. Such listings recently totaled 11 million square feet. Every three months the list is submitted to real estate brokers for revision.

COMMUNITY data are also carried in the files for each county, township, borough, and city, covering such subjects as population, climate, schools, cultural and historical background, churches, local organizations, hospitals, banks, newspapers, home building activity, recreational facilities, police and fire protection, highways, local transportation, and a list of the industries in the area. Where special requirements demand additional information, this is available in the company's files on water analyses, available minerals and other resources, effluent problems, labor, wage rates, and other pertinent subjects.

"The Philadelphia area is probably unique," says C. W. Deeg, manager of Philadelphia Electric's area development department, "in the fine co-operation which exists among the groups which are concerned with area development. This co-operation is, of course, mutually advantageous since it results in a uniform approach to problems encountered and multiplies the effectiveness of each group in the area."

Among the co-operating groups besides the city government and the chamber of commerce, Mr. Deeg cites the real estate brokers, the banks, and railroads. "We and others," says Mr. Deeg, "were instrumental in setting up the Pennsylvania Utilities-Railroad Area Development Association, which through frequent meetings has developed needed information and co-operation with the state department of commerce and other groups. Members of the area development department of the Philadelphia Electric Company have served as officers of this group."

FURTHERMORE, Philadelphia Electric co-operates closely with local chambers of commerce and businessmen's associations in its area by advising and counseling with them on their own local problems as related to the entire area. Frequent speeches are made by members of the company's area development department, which also assists in setting up local groups on request.

When an industry prospect is developed, he is encouraged to visit the company's office, where pertinent questions can be rapidly and accurately answered. Then field trips are arranged. If a prospect is at a considerable distance, material is prepared to be sent to him in advance of a personal visit. But, says Mr. Deeg, "we urge a visit to this area so that the final decision will rest upon the best overall pooling of the customer's thinking and our experience in this territory."

With variations to fit the conditions in each area, the methods followed by Philadelphia Electric have become almost standard practice in industrial development work by utilities. A majority of the companies engaged in this activity do no national advertising, relying on other methods for results. In fact, many of the companies which do advertise nationally give second place to that effort in their final results. One of the most aggressive advertisers is the Niagara Mohawk Power Corporation. Earle J. Machold, president of that company, believes that "the direct solicitation method is the most effective way of developing new industrial prospects. However, our national advertising campaign runs the direct solicitation method a close second and is less expensive."

IN one of its recent campaigns Niagara Mohawk ran its ads on upstate New York simultaneously in seven publications. Each advertisement, most of them in color, features one of the local areas of the company's territory, which embraces 36 of the 62 New York state counties and covers 22,000 square miles. These ads are reproduced in the local newspapers of the city that the ad describes. "We feel," says Mr. Machold, "that we not only get the interest from the outside industry but, in addition, a stimulating effect from the community featured." A hard cover book, titled *"Niagara Mohawk and the Land It Serves,"* is sent to every inquirer interested in an upstate New York plant location.

Success in industrial development depends to a great extent, Mr. Machold believes, "on extremely close co-operation between state and local agencies, including governmental organizations, chambers of commerce, manufacturing associations, etc. Co-operation in our system is accomplished by our district managers."

One of the problems involved in any utility area composed of many cities and towns is to avoid any semblance of favoring one over another. Niagara Mohawk accomplishes this not only by featuring all of them in its ads, but also by stepping aside at some stage of the negotiations and giving a local agency all the credit. "We do not want any credit," says Mr. Machold, "since it is easy to see that if we were to locate an industry in one town as opposed to the other the jealousy involved might have dire results."

EARLE S. THOMPSON, president of West Penn Electric Company, recently wrote that its best results have been achieved by encouraging community groups to develop their own broad-scale

¶ *"ONE of the pioneers among utilities in industrial development, and a vigorous exponent of its efficacy, is the Philadelphia Electric Company, which started in that field more than twenty-five years ago. Depression and war halted the work, but in 1950 a revived industrial and commercial development division became a part of the sales department. Its staff consists of a manager, three assistants, and two secretaries."*

programs. "Co-operation," he said, "has been the keystone of our area development program." Some years ago West Penn Electric Company established a special area development staff in its own headquarters to work with the personnel of its three principal subsidiaries, Monongahela Power Company, Potomac Edison Company, and West Penn Power Company. Each operating company staff surveyed the industrial activities in its territory and analyzed the potentialities for further development. In the added service supplied to customers in its territory, both residential and industrial, Mr. Thompson says that the area development program "has proved its worth." In addition to its advertising, the company follows up with mailing pieces urging interested concerns to "Let us help you find the right location."

Although Public Service Electric & Gas Company serves only about 20 per cent of New Jersey's area, the basic philosophy of its advertising has been one of emphasis on the whole state. Grove G. Thompson, assistant manager of area development, says the company's efforts "are pointed toward acting as a catalyst in the promotion rather than as a full development agency." This utility has found personal and telephone contact to be more successful than direct mail advertising. The company's institutional advertising includes a booklet such as the current one, titled "Why Industry Succeeds at the Crossroads of the East."

THE Baltimore Gas & Electric Company works in much the same way. It supplements its national advertising with direct mail pieces and personal calls on prospects. "We co-operate fully with all agencies of Maryland, the counties and cities in our service area," says Robert J. George, industrial development engineer. "Industrial realtors, industrial representatives of railroads, and new business representatives of the larger banks are also our sales allies, but we feel that a utility is particularly suited to the job of soliciting new industrial prospects because it is in a position to know more about industrial plant operations and the suitability of operations to any given territory than any other single agency."

SOME utilities have the job of retaining the industries they already have as well as working for new ones. This is true in New England, where the Western Massachusetts Electric Company has been working "to create the proper evaluation of industry by the community," according to John M. Turnbull, director of the company's area development department. "Many of our towns," says Mr. Turnbull, "have established local industrial commissions which serve to bring about a due respect for zoning, the extension of services to prospective industrialists, and such presentation of facts of life industrially to the townspeople."

Knowing the territory thoroughly is one of the first requisites of successful industrial development work, Mr. Turnbull believes. Next comes close co-operation with state and local boards. Then to get the confidence of the prospect. "What we do," Mr. Turnbull says, "is to act as consultant to the prospect in taking him from town to town. We can improve our chances of obtaining a prospect if we will avoid showing him everything that is available and of which much would be of no interest. Prospects look to us to

Retaining Existing Industry

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sense their needs and how best to interpret those needs and where they can best be satisfied in a particular territory."

OPERATING in a seven-state area which it characterizes as "The Heart of Industrial America," the American Gas & Electric Service Corporation has a vast industrial development job to do since it serves 2,300 communities. Its development work is directed from New York by Lee L. Davis, a vice president, with the co-operation of its six operating companies. American Gas & Electric finds both national advertising and direct mail to be effective in developing industrial prospects. Its current advertising campaign is running in *The New York Times, The Wall Street Journal, Business Week,* and *U. S. News & World Report.*

"We find it essential," says Mr. Davis, "to work in close co-operation with state and local development boards. My associates in the operating companies maintain most of these contacts, but I also do some on a national and on certain state levels. Co-operation with outside agencies is accomplished more or less along lines

dictated by our prospects." Mr. Davis believes that one of the most effective ways of developing prospects is through personal contacts with industrial realtors, consulting engineers, and large corporations "which we think may some day be interested in locating new plants." Contacts with officials of the hundreds of companies already established in the company's service area are a part of this program. American Gas & Electric is also taking a more important part in community development, having recently added to its staff a community planning consultant to work with cities and towns needing this type of assistance.

One of the jobs American Gas & Electric has done is to prepare an industry prospectus for its cities. One on Muncie, Indiana, for example, gives full information on location, population, highways, electric power, gas, fuel oil and coal, water and sewage, taxes and fire insurance, labor conditions and civic advantages, with a number of exhibits, including a list of the industries already established there.

"Because a utility has so many millions of dollars invested in the area it serves, there is much at stake for it in the way of maintaining present payrolls and the prosperity of its area and in improving the per capita income wherever possible," says Mr. Davis.

The Ohio Edison Company, serving parts of Ohio and western Pennsylvania, has been operating an area development department since 1949. Besides using several national publications for advertising, it uses direct mail. Two current brochures are a map showing the area it serves, the other, titled "The Center of Industrial America," giving information on the company's service area. "Publication advertising does attract some new prospects," says C. A. Thrasher, general supervisor of area development, "but there are other methods which are also effective." Among these are following up items from newspapers and business publications and contacts with other utility companies, railroads, industrial realtors, consulting engineering firms, state chambers of commerce, and personal contacts with manufacturing companies. Complete data are compiled for the communities the company serves. Ohio Edison makes its own surveys, but also uses those prepared by other agencies. Also, a file of available plant sites and buildings is kept up to date.

One of the utilities which has led the way in industrial development is the Cleveland Electric Illuminating Company, which for many years has had a national advertising program. "This has varied in emphasis due to our experience with results," says R. L. DeChant, manager of the area development department. "To us the most important aspect of national advertising is in building confidence and creating good will." The Cleveland Company has used from one to eight publications during a campaign.

But, in addition to its advertising, the Cleveland program "calls for close co-operation with local development boards and chambers of commerce. In all cases at least one of our people is an active member in each of the organizations in the area we serve. We do not depend on these organizations, however, for the development of prospects, but rather for the calling on prospects. In reviewing a prospect's requirements, we determine through our

experience what locale would best serve the client's needs and we then deal directly with the community involved."

The Cleveland Electric Illuminating Company has found that direct mail and use of movies are the most effective tools other than advertising in creating an interest in its area. A market research unit makes surveys and compiles specific data. The results of special studies are included in direct mail campaigns.

CONSUMERS POWER COMPANY, which covers outstate Michigan, regards industrial development as a public relations job as well as a means of increasing its power load. Since 1950 it has inserted about 60 different ads in approximately 300 issues of national publications. It has used *Time, Newsweek, Business Week, Chemical Week, The New York Times, The Wall Street Journal, Nation's Business, Dun's Review & Modern Industry,* and *U. S. News & World Report.*

"The purpose of our advertising," says Donald J. McGowan, director of public relations, "is to keep industrialists reminded of outstate Michigan and to predispose them, if possible, in our favor. Of course such advertising also has public relations value in our own service area. If the Michigan Department of Economic Development, a regional agency, or a local chamber of commerce is doing a good job with a prospect, that's fine with us. We are ready to help as much as necessary and we do not care very much who gets the credit for selling the prospect, if he is sold. Our only purpose is to see that the sale is made if possible."

The company's industrial development department is headed by Horace L. Brewer. It has found that the most effective method of getting new industries is face-to-face contact. Of lesser value are personal letters, letter campaigns, brochures, and attending meetings as guests or speakers. "From this contact program," it is declared, "we find our best source of prospects in acquaintances, friends, suppliers, brother members of organizations, employees, and the friends of these groups."

CONSUMERS POWER serves an area as large as the combined areas of Massachusetts, Vermont, Connecticut, Rhode Island, and New Jersey, which includes 315 incorporated cities and towns ranging in size from 200 to 300 people up to 200,000.

"Many of these companies are too small to do much of a promotional job

¶ "IN *a recent address Dan E. Karn, president of Consumers Power, emphasized the competition that every utility faces today from the aggressive industrial developers in other areas. 'Our opponents are not pushovers,' he said. 'They are fast and tough and in recent years they have scored points against us. We have lost industries we should have kept. Some of our Michigan industries have chosen to do some of their expanding in other parts of the country instead of in Michigan. Some outside industries that were invited to come to Michigan have decided on other locations.'* "

for themselves but our company is in good position to promote the whole area."

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"Tennessee has lower industrial power rates than Michigan because every industry, every store owner, every householder in Michigan is helping, through his federal income taxes, to pay the bills of the industries that use TVA-subsidized power. It is selling power at less than real cost. When competition is fair, we should welcome it, but certainly there is no fairness in that sort of situation."

FROM a public relations standpoint Consumers' advertising campaign has been a big success regardless of actual results in bringing in new plants. "The ads have made a hit with the people of outstate Michigan," says Public Relations Director McGowan. "Many city officials and chambers of commerce people have commended the company for its efforts and many editors have written editorials praising our campaign. Whenever we feature a particular community in one of the advertisements, we are obliged to turn out a large supply of reprints for local use, and these are widely distributed."

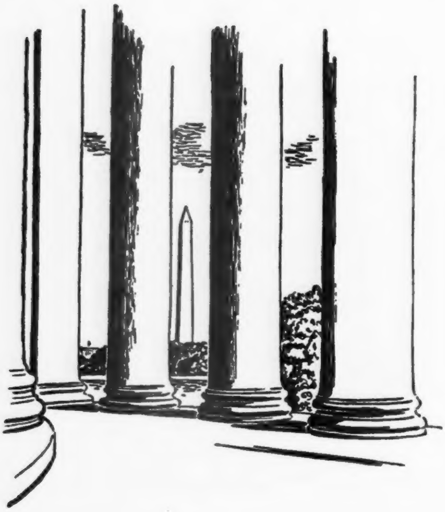
Part III of this article will appear in the next issue of the FORTNIGHTLY.

"THE history of our country is the history of a people with faith in themselves. But in recent years we have lost some of this faith. We have started leaning upon the government for aid and for assistance—we have started looking to the government for the solution of personal and community problems.

"If we persist in this dependency upon government, we shall surely destroy one of the basic faiths that helped to make our country free, prosperous, and strong. As dependence upon the government's ability to solve personal and community problems increases, faith in ourselves is gradually weakened and eventually destroyed.

"Faith in our own ingenuity, resourcefulness, and ability to take care of the basic needs of life is essential to the preservation of human rights and personal liberties. This kind of faith in ourselves is what our forefathers handed down to us. It is our responsibility to preserve it untarnished, undiminished."

—W. G. VOLLMER,
President, Texas & Pacific Railway Company.



Washington and the Utilities

Ike Asks Domestic Economy

PRESIDENT Eisenhower laid it on the line in his annual State of the Union message when he said, in effect, that stepped-up defense spending and a balanced budget could only be reconcilable through economies in domestic spending. This was an expected hint that the public works program will have to get the ax very sharply. Needless to say, the reaction from public works proponents in Congress was loud and vociferous.

Some did not even wait for the President's message, but endeavored to build a backfall by way of anticipation. That was the course taken by the chairman of the Senate Interior Affairs Committee, Senator Murray (Democrat, Montana). The President said that in view of sharply increased defense requirements there simply would have to be some sharp economies in other parts of government. He proposed the postponement, but not necessarily the abandonment, of new civilian programs, the outright elimination of some, and curtailment of other less essential military programs.

The real battle over economies on the domestic spending front was expected to break loose with the submission of the President's budget. But in his annual message on the State of the Union, President Eisenhower reminded Congress that sacrifice and economy will have to include pet local projects. "After all," he said, "it is no good demanding sacrifice in general terms one day, and the next day, for local reasons, opposing the elimination of some unneeded federal facility. It is pointless to condemn federal spending in general and the next moment condemn just as strongly an effort to reduce the particular federal grant that touches one's own interest."

GOVERNMENT power advocates opened their campaign several days before the President's message in anticipation of proposed cuts in funds for water resources development. Senator Murray warned President Eisenhower that the United States is falling behind Russia in development of water resources. Murray has given the President a committee report prepared by former Reclamation Commissioner Michael Straus, a committee consultant.

The report complained that in the past six years the United States has "partially

stopped, as a matter of executive policy, adding government-produced power to its energy totals, while all Soviet power is government produced," along with nearly everything else in Russia. The report said that Communist countries are putting more emphasis on irrigation, hydroelectric, flood-control, and water transport programs than they are on their missile and satellite programs.

In another congressional quarter, Representative Brooks (Democrat, Louisiana) has attacked Budget Bureau recommendations. He claims that if they are followed they will cripple the nation's water resources. Brooks, president of the National Rivers and Harbors Congress, said the new budget will recommend cuts of as much as 20 per cent in projects already under construction and also that no money be allotted for new projects.

Re-examination of new contracts may result in a carry-over of funds already appropriated for new projects. Brooks fears that the carry-over will be used as an argument by opponents of the omnibus rivers and harbors authorization bill which passed the Senate in the last session of Congress and awaits action by the House.

Memphis Case Legislation

ELSEWHERE in this issue (see page 175) there is a résumé of the very thoughtful remarks by FPC Chairman Kuykendall, delivered on January 3rd before the New York Society of Security Analysts. These dealt with the effect of the so-called "Memphis case" on the natural gas industry, particularly the pipelines.

There was immediate speculation in Washington as to what form remedial legislation might take to overcome the disturbing effects of the Memphis decision. Admittedly it would have to be an amendment to the Natural Gas Act as interpreted by the U. S. circuit court of appeals for the District of Columbia. Kuykendall indicated that, without waiting for the Supreme Court to act, the FPC would recommend such legislation in its annual report to Congress. But this naturally gives rise to speculation as to whether any attempt would be made to link "anti-Memphis" legislation with the Harris Bill to relieve independent natural gas producers from the full jurisdiction of the FPC. The Harris Bill would, of course, be another amendment to the Natural Gas Act.

But the thinking in Washington in mid-January was mostly to the effect that pipeline companies would do themselves no good and perhaps quite a bit of harm if they allowed any anti-Memphis case bill to become bracketed with the controversial Harris Bill for the relief of gas producers. "It would be like hitching our wagon to a dead horse," was the frank comment of one pipeline official.

Be that as it may, Speaker of the House Sam Rayburn thinks the producers' bill is going to get somewhere at this session of Congress. He has promised early action on the Harris Bill (HR 8525) and said he thought the bill would be passed by the House. Its present status is that of a bill favorably reported by the House Interstate and Foreign Commerce Committee. Supporters of the bill have been dickering back of the scenes with Congressmen from coal-producing states to gain needed support to pass the measure.

RUMOR has it that the compromise would take the form of a "coal amendment," which would prohibit pipeline companies from selling natural gas at cut rates to industrial consumers during the summer months, undercutting other fuels. While

such an amendment might gain some support from coal state Congressmen, it would be most objectionable to pipeline company interests and even some producer interests. Therefore the net outlook for passage of the bill does not seem as rosy as Speaker Rayburn's prediction.

Chairman Kuykendall told the New York analysts that, pending a final ruling in the Memphis case, the FPC plans to operate as it has in the past. This means that applicants for rate increases may still file under § 4 of the act, presumably without obtaining in advance the unanimous consent of their contract customers to the exact amount of the proposed rate increases.

THE FPC interprets the Memphis ruling as meaning that an applicant failing to obtain its customers' advance and specific consent to a proposed increase must refund such increases as are permitted to go into effect after five months. As of November 1st, said Kuykendall, gas companies were collecting $217 million which may ultimately be subject to refund if the Memphis decision becomes final.

Suppose the Memphis ruling is not reversed or its effects not corrected by legislation? Under those circumstances, the usual method of obtaining rate increases under § 4 will no longer be available, for all practical purposes. Applicants must have recourse to § 5, heretofore generally regarded as being designed for the purpose of lowering rates rather than increasing them.

Section 5 also involves lengthy and time-consuming investigations. There is no provision for interim collection of increased rates under bond pending final determination. In short, § 5 does not provide any express right of application by an aggrieved party for a rate change. It simply authorizes the commission to make its own investigation of rates (on complaint or suggestion or on its own initiative) and to change them if they are found unreasonable.

Chairman Kuykendall pointed out that if § 4 becomes a dead letter, there is nothing to prevent the FPC from revising its rules and procedures to expedite action under § 5 and to implement requests for rate increases. This is a broad hint to the industry lawyers to get busy on this proposition and devise ways and means for streamlining procedure which could make § 5 workable as a reasonably prompt method of increasing rates as well as lowering them. But it was clear that the FPC chairman regards such changes as a final alternative to prevent financial chaos in the industry and that the FPC is prepared to go to any reasonable lengths to retain present procedures which have been in effect for nineteen years.

TVA Seeks Self-financing

IN its year-end review for 1957, TVA was shown to be generating almost one-tenth of all the electric power in the United States. The agency reported power sales last year amounting to about 57.5 billion kilowatts, of which 31 billion went to federal defense agencies. Eight new generating units, financed entirely from power revenues, were placed under construction in the fiscal year ended last June. The agency repaid to the U. S. Treasury a total of $30 million, which brings the total amount repaid from power revenues to $240.1 million—$68 million ahead of a schedule established by Congress in 1948.

As of last June, the balance of the federal investment was $1,196,133,914. The authority paid $4.7 million in lieu of taxes to local governments. A strong plea for congressional approval of a revenue bond-

financing plank for TVA was contained in the annual report. So far, Congress has been unable to agree on such legislation, but is expected to act on some revenue measure at this session.

There was a bill authorizing TVA to issue revenue bonds which passed the Senate last August. A similar bill was reported but not acted upon in the House, but will doubtless move on to be considered fairly early in the session. Neither is acceptable to the administration which wants to retain some degree of supervision over bond financing.

Senator Watkins (Republican, Utah) plans to introduce legislation authorizing sale of TVA to local residents. Watkins, who is now the Senate Interior Committee's second ranking Republican member, feels the outlook for his measure is brighter than in 1950 when he proposed similar legislation. Under Watkins' plan, residents of the Tennessee valley area would form an interstate water and power users' association and negotiate a contract with the federal government to take over TVA.

Minnesota Power Pact

THREE midwest private utility companies have agreed to help the U. S. Bureau of Reclamation deliver power to 18 electric co-ops in Minnesota. Under a contract signed recently by the USBR, the co-ops, and the power companies, power from plants operated by the USBR on the Missouri river will be delivered by the federal agency at Sioux Falls, South Dakota, Granite Falls, Minnesota, and Fargo, North Dakota.

From there, the power will be wheeled to the 18 members of the Co-operative Power Association of Minnesota over transmission lines owned by Northern States Power Association of Minnesota, over transmission lines owned by Northern States Power Company, Otter Tail Power Company of Minnesota, and Interstate Power Company of Iowa. The co-ops have been allocated 29,000 kilowatts now, which will be increased later to a maximum of 52,600 kilowatts. The three-way contract will enable the co-ops to obtain access to a supply of lower-cost power without additional investment in facilities.

Cities Service Still Holding Company

THE U. S. Supreme Court, by denying a review, has upheld the Securities and Exchange Commission ruling that Cities Service Company is still a utility holding company, notwithstanding its extensive oil interests. The SEC had refused to allow Cities Service an exemption under a section of the Holding Company Act, which gives the commission discretion to grant such exemptions unless it finds them "detrimental to the public interest or the interest of investors."

The SEC said that public minority stockholders of the subsidiary, Arkansas Fuel Oil Corporation, did not have equitable voting power under the Cities Service setup. A U. S. court of appeals upheld the SEC last fall and ordered Cities Service either to sell out its own majority interest in Arkansas Fuel or eliminate the public minority interest. Arkansas Fuel is a registered holding company. The SEC takes the view that the decision has only limited application to other holding company setups where public stockholder interests may be involved.

Telephone and Telegraph

Regulatory Probe Starts with FCC

THE Federal Communications Commission will be the first target of the House Subcommittee on Legislative Oversight, which plans to investigate a number of quasi-judicial agencies to ascertain whether or not the regulatory agencies are acting independently of those they are supposed to be regulating.

Chairman Moulder (Democrat, Missouri) said it "just happens that the investigation and study on the FCC have progressed to where we are in a better position to hold hearings than on the others." Moulder's subcommittee has examined carefully a 30-page staff memo listing indications of irregularity in the six agencies under the group's first phase of the inquiry: the FCC, as well as the Civil Aeronautics Board, Federal Power Commission, Securities and Exchange Commission, Interstate Commerce Commission, and Federal Trade Commission.

Representative Harris (Democrat, Arkansas), who heads the parent House Interstate Commerce Committee, has agreed to give the subcommittee subpoena authorization, although how much has apparently not been determined. Harris has indicated that a justification for issuing a subpoena would have to be shown before he would grant the authorization. Moulder has been insisting on a general authorization to subpoena agency files and agency employee bank accounts in order to make possible a thorough investigation.

Questionnaires sent out by the subcommittee to members of the six regulatory agencies are still the subject of a dispute within the subcommittee. The questionnaires were sent to all government commissioners and regulatory board members asking them to list any gifts they or their families had received from organizations or individuals having dealings with their agencies. Some members of the subcommittee want the questionnaires to be evaluated by Moulder alone, but the chairman wants them to be checked over by the subcommittee staff as part of the inquiry. The questionnaires have been answered by members of all six agencies involved in the first phase of the inquiry.

New York Rate Bill Revived

GOVERNOR Harriman has once more asked the New York legislature to pass legislation requiring the state regulatory commission to value telephone company property at cost instead of reproduction cost. The last two sessions of the legislature rejected similar legislation, which

has again been introduced for action at the present session. The present law, as interpreted by the New York court of appeals in a 1956 decision involving the New York Telephone Company, requires the commission to take into consideration reproduction value at present prices.

THE governor apparently believes that passage of legislation requested by him would have prevented the commission from granting New York Telephone a $33 million rate increase last year. But opponents of the measure argue that a rate increase would have been forthcoming irrespective of action on the legislative proposal. The commission's opinion in the case supports this view.

In a memorandum accompanying the bill now before the legislature, Commission Counsel Kent H. Brown emphasized that "neither enactment of the measure nor the failure of its passage will necessarily alter or affect the ultimate award in any pending or contemplated rate proceeding." He added, however, that its passage would save "hundreds of thousands—perhaps millions—of dollars of expense occasioned by the preparation and presentation, analysis, and disposition of a type of rate case evidence which is of no relevance or materiality whatever in the determination of rate cases but which serves only to hamper, impede, and unnecessarily delay such determinations."

Brown estimated that it cost New York Telephone "millions of dollars" to prepare its reproduction cost evidence for last year's hearings. It cost the commission more than $250,000 to study, analyze, and rebut the evidence, he said. Brown said the money and effort were wasted because the reproduction cost valuations were theoretical, "open 'guesstimates,' " and, in addition, "were demonstrated to be grossly excessive."

IN deciding the New York Telephone case, the commission held that the reproduction value evidence was not good enough to provide a basis for rate making. Instead, the commission determined that the utility was entitled to a $6\frac{1}{2}$ per cent rate of return, rather than 6 per cent, on original value of its plant.

The governor and the state commission appear to be backing the same legislation for different reasons. Governor Harriman looks upon the measure as a means of preventing "future and totally unjustified increases." Brown, however, declared that the legislation was desirable because it would (1) continue efficient, manageable public utility regulation in the state and keep consumer rates down; (2) eliminate expense to utilities of preparing complicated but useless evidence, expense that would ultimately be reflected in their charges to consumers; (3) eliminate delays in rate hearings that would serve no practical purpose.

Rate Increases Granted

SEVERAL telephone companies throughout the country started off the New Year with substantial rate increases, but not all of the companies involved are happy about the results. Among these boosts was an increase of $11.5 million for the New Jersey Bell Telephone Company, which had asked the New Jersey commission for a total increase of $14,148,000. While New Jersey Bell thus stands to get about 80 per cent of its requested increase, the company was somewhat disappointed because it had prepared a very persuasive case for a fair return based on fair value. The commission, however, clung to a net investment or original cost rate base with an allowance of 6.27 per cent. In upholding its traditional use of a cost base, the commission said it could find "no compel-

ling reason . . . to do otherwise at this time."

Chesapeake & Potomac Telephone Company of Virginia started off the New Year with rates designed to yield an additional $7,228,000. This was approved by a split decision (2-1), with one commissioner, Judge Catteral, contending that the majority allowance of 6 per cent return on an original cost base resulted in too much of an increase. It is noteworthy that Commissioner Catteral would apparently do away with the rate base altogether, in favor of a return allowance keyed entirely to cost of capital requirements. Under his formula the Virginia telephone company would have been given only $2.7 million instead of the $7.2 million. Catteral would have used a 45 per cent debt ratio instead of 35 per cent used by the Bell company. Also, he thought AT&T earnings should be limited to 8 per cent on common stock instead of 9 per cent.

Out in California four telephone companies serving the greater Los Angeles area received what will amount to a rate boost of $15,271,000 a year, as a result of a commission order shortening the distance for multimessage unit calls. A California commission order, effective January 6th, will benefit Pacific Telephone & Telegraph Company (about $11,288,000), General Telephone Company of California (about $3,125,000), California Water & Telephone Company ($790,000), and Sunland-Tujunga (about $68,000).

Co-op Service Area Dispute Settled

THE North Carolina Utilities Commission has reached an agreement with the Rural Electrification Administration which is expected to end a long-standing dispute between the two over telephone co-op service areas and exchange of services with commercial phone companies. The agreement, signed January 2nd, has the approval of North Carolina Governor Hodges, who was instrumental in bringing REA and the state commission together.

The dispute broke out into the open last summer when the commission ordered the Central Telephone Company of Mt. Airy to serve subscribers in territory claimed by an REA co-op, the Randolph Membership Telephone Corporation. A previous commission order in 1956 had been successfully challenged in court by REA. When a similar case arose last summer, Governor Hodges met with both agencies and suggested a joint meeting.

Under the agreement, the commission goes further than it has been willing to in the past toward recognizing the boundary lines for territories drawn up by the co-ops and commercial companies. In the future, REA will notify the commission before giving final approval for the formation of a co-op. The commission will then determine if commercial companies will serve users in the area before the co-op begins formation. "In all cases," the agreement provides, "the commission will notify the REA whether or not it will require commercial companies to serve the area in question."

When potential subscribers, in either commercial or co-op territory, seek the services of the other group, both telephone groups will discuss the matter. If they fail to agree on allowing the subscriber to cross the boundary lines, the applicant may take the matter to the commission which will render a decision. The agreement further provides that any action enlarging the co-op's area must be approved first by REA.

Financial News and Comment

By OWEN ELY

FPC Chairman Discusses Memphis Case Optimistically

JEROME K. KUYKENDALL, chairman of the Federal Power Commission, addressed the New York Society of Security Analysts, January 3rd, on the severe case of "Memphis Blues" afflicting the natural gas industry as a result of the Memphis decision (discussed earlier in this column and in the P. U. R. Letter).

If that decision is sustained by the Supreme Court, both a pipeline and all its customers who are parties to any given contract must agree *in advance* to any new rate which is to be filed under § 4; or the commission acting under § 5 of the Natural Gas Act can issue an order after investigation and hearings. However, he felt that the gas utilities themselves could now make greater use of § 5, even though this would preclude collecting new rates under bond. In the past, § 5 has been considered as a vehicle for rate cuts to be initiated by the commission itself, but he felt that the language of recent court decisions would permit using it for rate increases as well. He held out hopes that commission procedure in rate cases could be speeded up in future, despite the present backlog of over 50 suspended rate cases pending under § 4 as well as hundreds of rate cases involving the independent producers. Presumably, such expediting would involve the use of "canned" testimony, curtailment of hearings to legal essentials, and omission of other time-consuming steps. (Such methods might well be applied to clearing up the present backlog of cases.) In any event, he believed that full co-operation from the pipelines in presenting testimony promptly would help a great deal to speed decisions under § 5. He indicated that under both § § 4 and 5 the commission's tests to determine reasonableness of rates would continue to be (1) revenues needed, and (2) cost of service.

HE emphasized the seriousness of the Memphis case and the resulting threat to current rate litigation which as of November 1, 1957, involves some $217

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million annual revenues being collected subject to refund. If the Solicitor General's appeal for certiorari is granted, the commission will supply him with full information to aid in presenting his case to the Supreme Court. He was hopeful that the court would grant certiorari and that it would decide the case during the present term.

Meanwhile, the Memphis decision is not binding on the commission until the Supreme Court acts. The commission recently allowed El Paso Natural Gas to put increased rates into effect, but the company had to give evidence that it could refund 100 per cent of the increase if necessary.

Some pipeline companies are hopeful that they can reach a voluntary settlement of pending cases with their customers. The city of Memphis itself has been participating in such negotiations. Many distributing companies fully realize that neither they nor their customers want to force refunds from pipeline suppliers which would bankrupt the latter and thus jeopardize future service.

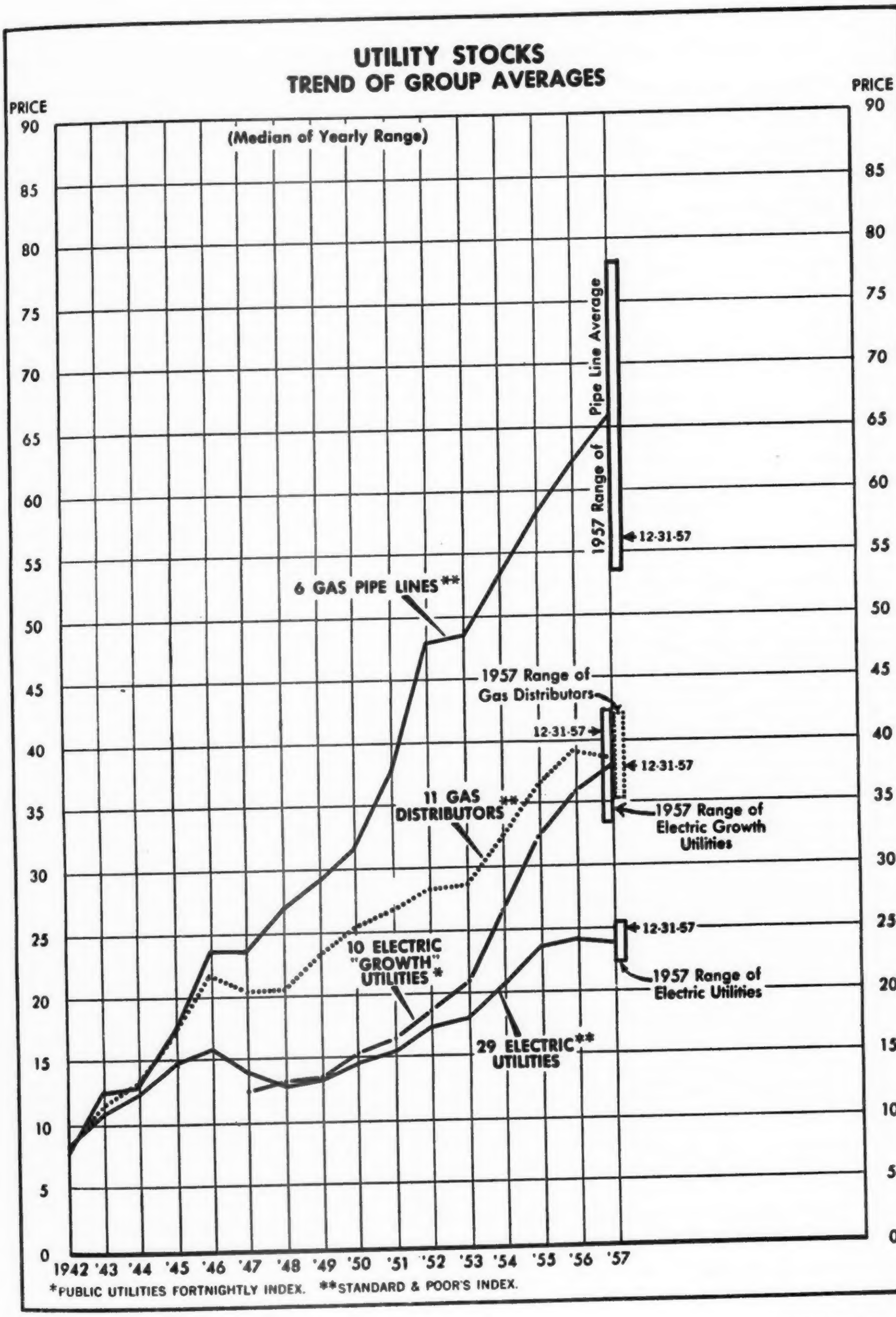
Even if refunds should become necessary this would not affect all pipelines uniformly. Some might receive more from other pipelines than they themselves would have to refund to their own customers. All companies would have the right to obtain refunds of any resulting past overpayment of income taxes, which would absorb over half the loss. Mr. Kuykendall also raised the point whether the constitutional provision against confiscation of property might not protect a pipeline from refunding money to the extent that it would become bankrupt. He indicated his doubt whether the circuit court had realized that in the Memphis decision it was setting a precedent involving possible refunds of over $200 million. Certainly it would not be in the public interest to put pipelines into bankruptcy and thereby prevent the public from getting natural gas service.

In answer to questions, he indicated that if the Memphis decision becomes mandatory he hoped it would not undo the commission's decisions back to 1938, when the Natural Gas Act was passed. When the Phillips decision was handed down by the Supreme Court ordering regulation of independent producers, the commission assumed that the date of the decision (June 7, 1954) would be a cut-off date for such regulation; *i. e.*, that it would not be retroactive. He hoped that the same situation would prevail in this case; *i. e.*, that the decision need only affect pending cases.

However, if it were necessary to clear the record, the pipelines and their customers could reach new agreements regarding past as well as pending rate cases. He felt that decisions under § 5 could not be retroactive, because this would affect the past earnings records of pipelines, and that it would be unfair to attempt to regulate past earnings.

Regarding the status of contracts containing escalator clauses to adjust for higher field prices of gas, Mr. Kuykendall thought that *fixed* escalator clauses would be operative under the Memphis decision, although so-called profit sharing and "favored-nation" clauses would still be outlawed, as before the decision.

Regarding the Harris-Fulbright Bill, he indicated that in general the commission favored it, only one out of five commissioners having "reservations." The commission's forthcoming annual report, now being printed, will contain a recommendation for new legislation to correct the effects of the Mobile, Sierra, and Memphis decisions.


UTILITY STOCKS
TREND OF GROUP AVERAGES
(Median of Yearly Range)
PRICE
6 GAS PIPE LINES**
1957 Range of Pipe Line Average
12-31-57
1957 Range of Gas Distributors
11 GAS DISTRIBUTORS**
1957 Range of Electric Growth Utilities
10 ELECTRIC "GROWTH" UTILITIES*
29 ELECTRIC** UTILITIES
1957 Range of Electric Utilities
1942 '43 '44 '45 '46 '47 '48 '49 '50 '51 '52 '53 '54 '55 '56 '57
*PUBLIC UTILITIES FORTNIGHTLY INDEX. **STANDARD & POOR'S INDEX.

Our Atomic Power Program Versus England's and Russia's

A RECENT EEI Power Survey Bulletin tabulated U. S. atomic power reactors which are in operation, under construction, or planned. Including a few small experimental reactors, the scheduled additions to kilowatt capacity based on normal rating of the projects is as follows:

1957	77,000
1958	—
1959	20,000
1960	611,000
1961	113,000
1962	463,000
1963	—
1964	200,000
Later	15,000
Total	1,499,000

With the recent opening of the plant at Shippingport, the United States is temporarily about even with England and ahead of Russia, but England plans to have 5-6 million kilowatts of atomic power by 1965, far in excess of our plans. The Russians expect to have 2-2.5 million kilowatts by 1960, about three times our goal, but they are making a late start, having only recently begun their first station with 420,000-kilowatt capacity.

With the opening of the new session of Congress it appears likely that Democrats on the congressional Joint Committee on Atomic Energy will again push the issue of government construction of more atomic plants. AEC Chairman Strauss recently called a news conference and told reporters that steps are under consideration to stimulate the atomic power program. He is thoroughly behind the administration's "partnership" program for private construction of large-scale plants, with research assistance from the government. He stated that he expects three more utility offers next spring to construct large plants.

A SHORT time ago we reported in this department the remarkable success of the 5,000-kilowatt-rated boiling water reactor constructed by GE in California and now being operated by Pacific Gas and Electric—it is expected to produce two or three times as much power as the rated amount. More recently, the AEC has made a similar report for the experimental boiling water reactor at the commission's Argonne National Laboratory in Illinois. After ten months of experiment the reactor has been operated at 50,000 kilowatts heat, more than double its design level. Moreover, experts have calculated that with modifications and the addition of fuel and equipment the rated amount of heat output could be quadrupled and the rated electric capacity quintupled. The EBWR is the first reactor built by the commission with the specific purpose of generating electricity experimentally. If these results can also apply to larger commercial plants, this should be highly encouraging.

An official announcement regarding British progress with hydrogen fusion experiments was scheduled to be published January 24th, and a technical report would appear a day later in the magazine *Nature*. There has been a great deal of confusion about the British program and AEC Chairman Strauss has been accused of "holding back" the news and belittling the British achievement. The forthcoming details may clear up the mystery.

IBA Urges Income Tax Reforms

THE report by the federal taxation committee of the Investment Bankers Association at the convention in December may be of interest from a financial angle, and we summarize as follows:

The committee made the point that investment banking is "an industry of small businesses," being made up of some 4,500 firms and partnerships with about 100,000 employees and $800 million capital. On the other hand, a single firm like Sears Roebuck has a capital of $2 billion and 220,000 employees. "Our industry," the report stated, "like others composed of small businesses, has been hit hard by the cost squeeze and by the obstacle to accumulating capital presented by our punitive progressive personal income tax structure."

THE committee held that, despite the decline in business, prospects for a cut in individual income tax rates and an over-

DECEMBER UTILITY FINANCING

PRINCIPAL PUBLIC OFFERINGS OF ELECTRIC AND GAS UTILITY SECURITIES

Date	*Amount (Mill.)*	*Description*	*Price To Public*	*Under-writing Spread*	*Offer-ing Yield*	*Aver. Yield For Securities of Similar Quality*	*Moody Rating*	*Success Of Offer-ing*
		Bonds and Debentures						
12/4	$20.0	Virginia E. & P. 1st 4½s 1987	100.49	.79C	4.47%	4.16%	Aa	a
12/5	25.0	Nor. Natural Gas S. F. Deb. 4⅝ 1977	100.00	.90N	4.63	4.61	A	a
12/6	7.0	Wisc. Pub. Serv. 1st 4⅜ 1987	100.26	.73C	4.30	4.16	Aa	a
12/10	.3	Greely Gas S. F. Deb. 6½s 1972	100.00	—	6.50	—	—	—
12/11	3.0	Brockton Edison 1st 4⅝ 1987	102.25	1.00C	4.49	4.57	A	c
12/12	3.5	Suburban Elec. 1st 4½s 1987	101.66	1.12C	4.40	4.57	A	b
		Preferred Stock						
12/2	3.0	Brockton Edison 6.40% Pfd.	102.40	2.25C	6.03	—	—	a

a—It is reported that the issue was well received.
b—It is reported that the issue was fairly well received.
c—It is reported that the issue sold somewhat slowly.
Source, Irving Trust Company

ELECTRIC AND GAS FINANCING IN 1957

Electric Companies		*New Money*	*Not New Money*
Bonds	sold to public	$1,545,328,000	$
	sold privately	338,667,000	
	offered to stockholders ..	142,492,000	
Preferred	sold to public	100,763,000	
	sold privately	3,000,000	
	offered to stockholders ..	4,338,000	
Common	sold to public	144,877,000	8,616,000
	offered to stockholders ..	291,750,000	
		$2,571,215,000	$ 8,616,000
Gas Companies			
Bonds	sold to public	$ 690,559,000	$
	sold privately	387,625,000	
	offered to stockholders ..	59,237,000	
Preferred	sold to public	78,600,000	
	sold privately	3,000,000	
	offered to stockholders ..	44,862,000	
Common	sold to public	18,170,000	20,012,000
	offered to stockholders ..	59,261,000	
		$1,341,314,000	$20,012,000
		$3,912,529,000	$28,628,000

Source, Irving Trust Company

hauling of the capital gains tax are favorable this year. It pointed out that a cut in taxes should prove a marked stimulus to business, and would be the most effective single action which the government could take to help the small businessman. During the 1920's tax rates were reduced almost every year, and yet Treasury receipts increased every year.

The government now obtains about $34 billion a year from personal income taxes and if it were to take *all* the net income of individuals earning over $20,000 a year the total additional revenue would be less than $2 billion. If the top income tax bracket were set at 75 per cent instead of 91 per cent, the revenue loss would be only about $80 million a year; with a 50 per cent top the estimated loss would be about $750 million; and if the top rate were reduced to 20 per cent (the lowest bracket) the Treasury would still collect $28.6 billion—without taking into account the resulting big stimulus to business.

THE present high individual tax rates tend to subsidize extravagance of all kinds, with Uncle Sam bearing over half the cost of much business entertaining, seasonal trips to Florida, the operation of air-conditioned Cadillacs and corporation planes, etc. Moreover, with a 52 per cent tax rate it becomes worth while to devote more time to devising schemes for saving taxes than to earning additional income. For this reason alone the committee favors a reduction in both personal and corporate income taxes to a maximum level of 50 per cent.

Averaging of income over a period of time—say five years—would remedy the injustices now done to authors, artists, investors, promoters, and others who may receive large lump-sum earnings in a given year, while others earning the same amount over a longer period pay much smaller taxes. The committee also favored increasing the credit on dividends received by investors from 4 per cent to 20 per cent, as in Canada.

Regarding the capital gains tax, the committee considered it obvious that a reduction in the tax would result in an actual increase in the amount of revenues. Almost without exception the taxpayer decides the timing and extent to which he is willing to pay the tax—in other words, he decides when and at what price to sell his assets.

In effect, therefore, the tax is a transfer tax levied only when property in which a gain exists is sold, and as such it is a very high tax. Hence it has "locked up" a large proportion of all property in the U. S., such as securities, land, buildings, etc. England, Canada, and some other countries have no capital gains tax, having long ago decided that such a tax limits growth capabilities.

THE committee also favored a shortening of the six months' minimum holding period. When a gain is in sight, it pointed out, the certainty of a reduced tax if six months is allowed to elapse outweighs the uncertainty of future price action; and since this is the case the holding period might as well be short as long. Another suggestion made by the committee would be that the tax exemption now enjoyed by a man who sells his house and reinvests the money in a new one should be extended to cover all kinds of sales.

At present only $1,000 per year of capital losses can be deducted from ordinary income. In view of the inflationary price rise in the last fifteen years it would seem only reasonable to increase the amount to $5,000.

Another proposal was that a limitation of 4 per cent should be placed upon the

proportion of a taxpayer's capital which he would lose by paying the capital gains tax.

Thus the maximum tax would be either 25 per cent of the gain or 4 per cent of the amount involved in the sale, whichever was less. This should result in many sales taking place which would otherwise be postponed or avoided.

The committee concluded that "because our income and capital gains structures are *positively harmful* to a capitalist economy depending upon adequate incentives and a large flow of savings, tax reform of the nature described will improve our ability to bear the added burdens that may well be imposed upon us in the next decade."

RECENT FINANCIAL DATA ON GAS UTILITY STOCKS

Annual Rev. (Mill.)			*1/7/58 Price About*	*Dividend Rate*	*Approx. Yield*	*Recent Share Earnings*	*% Increase*	*Aver. Incr. In Sh. Earns. 1951-56*	*Price-Earns. Ratio*	*Div. Pay-out*	*Approx. Common Stock Equity*
		Pipelines & Integrated Cos.									
$ 4	O	Ala.-Tenn. Nat. Gas	19	$1.20	6.3%	$1.46Se	—	14%	13.0	82%	40%
158	S	Amer. Nat. Gas	53	2.60	4.9	3.70Se	D20%	13	14.3	70	34
50	A	Arkansas Louis. Gas ...	27	1.20	4.4	1.67Se	9	23	16.2	72	56
47	O	Colo. Interstate Gas	36	1.25	3.5	4.38Se	D17	36	8.2	29	35
343	S	Columbia Gas System ...	16½	1.00	6.1	1.22Se	D17	7	13.5	82	46
7	O	Commonwealth Gas	5	(q)	—	.54De	107	D	9.3	19	76
16	O	Commonwealth N. G.	33	1.60	4.8	2.89Se	6	X	11.4	55	39
12	S	Consol. Gas Util.	14	.90	6.4	1.45Jy	D2	—	9.7	62	64
266	S	Gonsol. Nat. Gas	43	2.00	4.7	3.39Se	4	4	12.7	59	65
17	O	E. Tenn. Nat. Gas	7½	.60	8.0	.85Se	4	X	8.8	71	19
186	S	El Paso Nat. Gas	28	1.30	4.6	2.02Ma	10	7	13.9	64	27
44	S	Equitable Gas	27	1.60	5.9	2.13Je	D11	4	12.7	75	36
19	O	Gulf Interstate Gas	9	.50	5.6	.77De	—	—	11.7	65	18
27	O	Houston N. G.	38	1.50	4.0	2.83Jy	25	8	13.4	53	27
17	O	Kansas-Nebr. Nat. Gas..	34	1.80(r)	5.3	2.48Se	D2	3	13.7	73	30
95	S	Lone Star Gas	32	1.80	5.6	2.38Se	1	5	13.4	76	43
71	S	Miss. River Fuel	29	1.60	5.5	2.33De	16	8	12.4	69	50
25	S	Montana Dakota Util. ..	24	1.00	4.2	1.48Se	D2	19	16.2	68	32
23	O	Mountain Fuel Supply ..	23	1.20	5.2	1.68Se	2	9	13.7	71	53(s)
81	S	National Fuel Gas	17	1.10	6.5	1.35Se	D19	8	12.6	81	62
113	S	Northern Nat. Gas	48	2.80	5.8	3.69Se	9	7	13.0	76	34
43	S	Oklahoma Nat. Gas	26	1.50	5.8	1.85N	D7	6	14.1	81	34
113	S	Panhandle East. P. L. ...	39	1.80	4.6	2.75De	10	16	14.2	65	37
13	O	Pennsylvania Gas	20	1.20	6.0	2.26De	40	D	8.8	53	64
166	S	Peoples G. L. & Coke ...	39	2.00	5.1	2.81Se	D7	7	13.9	71	42
80	S	Southern Nat. Gas	34	2.00	5.9	2.16Se	D20	4	15.7	93	46
34	O	Southern Union Gas	23	1.12	4.9	1.52De	D10	9	15.1	74	35
268	O	Tenn. Gas Trans.	29	1.40	4.8	1.91Se	—	18	15.2	73	20
175	O	Texas East. Trans.	22	1.40	6.4	2.28Se	8	3	9.6	61	18
71	O	Texas Gas Trans.	18	1.00(j)	5.6	2.16Se	D2	4	8.3	46	27
88	O	Transcont. Gas P. L. ..	17	1.00(u)	5.9	1.67Se	30	19	10.2	60	19
273	S	United Gas Corp.	28	1.50	5.4	2.46Se	11	7	11.4	61	41
		Averages			5.4%				12.5	66%	
		Retail Distributors									
27	S	Alabama Gas	26	$1.60	6.2%	$2.18Se	D9%	13%	11.9	73%	42%
43	O	Atlanta Gas Light	27	1.60	5.9	2.09Se	D24	3	12.9	77	38
5	O	Berkshire Gas	16	1.00	6.3	1.51My	7	46	10.6	68	35
6	O	Bridgeport Gas	26	1.60	6.2	1.84Se	D29	48**	14.1	87	43
4	O	Brockton-Taunton Gas ..	15	.90	6.0	1.29De	32	60	11.6	70	40
59	S	Brooklyn Union Gas	35	2.00	5.7	2.71Se	D8	6	12.9	74	47

Annual Rev. (Mill.)		(Continued)	1/7/58 Price About	Dividend Rate	Approx. Yield	Recent Share Earnings	% Increase	Aver. Incr. In Sh. Earns. 1951-56	Price-Earns. Ratio	Div. Pay-out	Approx. Common Stock Equity
1	O	Cascade Nat. Gas	5	—	—	Def De	—	—	—	—	13
36	O	Central El. & Gas	14	.90	6.4	1.58Je	D8	9	8.8	57	17
12	O	Cent. Indiana Gas	12	.80	6.7	1.04Je	D7	4	11.5	77	65
5	O	Chattanooga Gas	4	.30	7.5	.38Au	D20	14	10.5	79	46
64	O	Gas Service	21	1.36	6.5	1.63Se	D48	0	12.9	83	40
7	O	Hartford Gas	36	2.00	5.6	3.01De	39	5	12.0	66	48
2	O	Haverhill Gas	21	1.32	6.3	1.81N	D4	2	11.6	73	58
17	O	Indiana Gas & Water ...	17	1.00(k)	5.9	1.44N	D9	9	11.8	70	45
46	S	Laclede Gas	14	.80	5.7	1.16Se	D4	5	12.1	69	33
4	O	Michigan Gas Util.	18	1.05	5.8	1.22Se	D21	14	14.8	86	38
5	O	Midsouth Gas	10	Stk(o)	—	.65Ap	4	D	15.4	—	39
42	O	Minneapolis Gas	26	1.45	5.6	2.05Se	D10	14	12.7	71	38
15	O	Miss. Valley Gas	16	1.12	7.0	1.37Se	D29	5	11.7	82	30
4	O	Mobile Gas Service	18	1.00	5.6	1.23Se	—	D	14.6	81	33
7	O	New Haven Gas	29	1.80	6.2	2.26De	D6	10	12.8	80	66
12	O	New Jersey Nat. Gas	25	1.40(i)	5.6	2.29Se	9	—	10.9	61	33
80	O	No. Illinois Gas	17	.88	5.2	1.35N	D9	—	12.6	65	54
8	O	North Penn Gas	8	.60	7.5	1.02De	23	7	7.8	59	56
224	S	Pacific Lighting	42	2.00	4.8	2.04Se	D31	14	20.6	98	38
19	O	Pioneer Nat. Gas	25	1.40	5.6	2.02De	15	17	12.4	65	39
13	O	Portland Gas & Coke ...	14	.60	4.3	.97Oc	NC	8	14.4	62	36
2	O	Portland Gas Lt.	8	.50	6.3	.73De	D40	—	11.0	70	25
8	A	Providence Gas	8	.56	7.0	.63De	6	15	12.7	89	60
3	A	Rio Grande Valley Gas .	2½	.15	6.0	.28De	7	9	9.0	54	58
5	O	So. Atlantic Gas	11	.80	7.3	1.05De	17	2	10.5	76	36
11	O	So. Jersey Gas	26	1.50	5.8	2.20N	4	28	11.8	68	55
26	S	United Gas Impr.	35	2.00	5.7	2.45Se	2	1	14.3	82	64
48	S	Wash. Gas Light	36	2.00	5.6	2.46Se	D29	4	14.6	81	43
8	O	Wash. Nat. Gas	11	(1)	—	.38Je	D3	X	—	—	41
7	O	Western Ky. Gas	10	.60	6.0	.72Je	D37	20	13.9	83	38
		Averages			6.1%				12.4	74%	

RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER STOCKS

Annual Rev. (Mill.)			1/7/58 Price About	Dividend Rate	Approx. Yield	Recent Share Earnings	% Increase	Aver. Incr. In Sh. Earns. 1951-56	Price-Earns. Ratio	Div. Pay-out	Approx. Common Stock Equity
		Communications Companies									
		Bell System									
$5,825	S	Amer. T. & T. (Cons.) ..	169	$9.00	5.3%	$13.00Au*	D3%	2%	13.0	70%	66%
274	A	Bell Tel. of Canada	41	2.00	4.9	2.25De	D3	2	18.2	89	64
43	O	Cin. & Sub. Bell Tel. ..	77	4.50	5.8	5.58De	2	4	13.8	81	100
209	A	Mountain Sts. T. & T. ..	113	6.60	5.8	9.36Au	7	13	12.1	71	73
308	A	New England T. & T. ..	126	8.00	6.4	8.30Se	D9	4	15.2	96	64
792	S	Pacific T. & T.	120	7.00	5.8	7.71N	D7	4	15.6	91	64
98	O	So. New Eng. Tel.	34	2.00	5.9	2.19De	13	3	15.5	91	69
		Averages			5.7%				14.8	84%	
		Independents									
5	O	Anglo-Canadian Tel.	27	$1.20	4.4%	$3.25Se	6%	54%	8.0	37%	44%
37	O	British Col. Tel.	39	2.00	5.1	2.59Se	D22	12	14.3	77	38
3	O	Calif. Inter. Tel.	12	.70	5.8	1.08Se	24	—	11.1	65	24
15	O	Calif. Water & Tel.	19	1.20	6.3	1.54Jy	NC	10	12.3	78	42
16	O	Central Telephone	19	1.00(m)	5.3	1.94My	NC	16	9.8	52	29
4	O	Commonwealth Tel.	14	.80	5.7	1.48Je	NC	—	9.5	54	38
4	O	Florida Telephone	20	.90	4.5	1.11My	NC	D	18.0	81	42
281	S	General Telephone	41	2.00	4.9	3.11Oc	NC	32	13.2	64	35

Annual Rev. (Mill.)		(Continued)	1/7/58 Price About	Dividend Rate	Approx. Yield	Recent Share Earnings	% Increase	Aver. Incr. In Sh. Earns. 1951-56	Price-Earns. Ratio	Div. Payout	Approx. Common Stock Equity
16	O	Hawaiian Telephone	18	1.00	5.6	1.28Oc*	D9	19	14.1	78	42
6	O	Inter-Mountain Tel.	14	.80	5.7	.80De	D16	2	17.5	100	62
21	O	Rochester Tel.	17	1.00	5.6	1.34Se	D19	6	12.7	75	39
3	O	Southeastern Tel.	15	.90	6.0	1.44Ma	4	13	10.4	63	42
9	O	Southwestern St. Tel. ..	20	1.20	6.0	1.69Au	NC	4	11.8	71	40
10	O	Tel. Service of Ohio	107	1.40(w)	1.3	6.95Se	NC	NA	15.4	20	NA
31	O	United Utilities	22	1.25	5.7	1.63De	D5	5	13.5	77	36
13	O	West Coast Tel.	18	1.00	5.6	1.48Oc	NC	18	12.2	68	41
252	S	Western Union Tel.	16	1.20	7.5	2.21De	5	15	7.2	54	86
		Averages			5.4%				12.4	66%	
		Transit Companies									
19	O	Baltimore Transit	7	$ .25	3.6%	$ .18De	D86%	X	—	139%	28%
13	O	Cincinnati Transit	4	.30	7.5	.48De	41	10%	8.3	63	46
8	O	Dallas Transit	5	.35	7.0	.90De	58	0	5.6	39	54
33	S	Fifth Ave. Coach	22	2.50	11.4	3.47De	21	4	6.3	73	63
244	S	Greyhound Corp.	15	1.00	6.7	1.27De	8	—	11.8	79	52
23	O	Los Angeles Trans.	18	1.40	7.8	1.23De	30	11	14.6	114	92
26	S	Nat. City Lines	20	2.00	10.0	2.45De	D10	11	8.2	82	94
13	O	Niagara Frontier Trans.	7	.60	8.6	.28De	D81	—	—	214	82
69	O	Philadelphia Trans.	5	.60	12.0	1.67De	31	8	3.0	36	38
21	A	Pittsburgh Rys.	5	.50	10.0	.48Se	15	3	10.4	104	90
6	O	Rochester Transit	4	.40	10.0	.68De	58	18	5.9	59	41
23	O	St. Louis P. S.	7	1.00	14.3	.69De	1	19	10.1	145	97
15	S	Twin City R. T.	10	1.80	18.0	1.21De	1	D	8.3	149	48
22	O	United Transit	5	.60	12.0	.88De	D15	21	5.7	68	48
		Averages			10.0%				8.2	97%	
		Water Companies									
		Holding Companies									
40	S	American Water Works	10	$ .60	6.0%	$ .98Se	D6%	6%	10.2	61%	17%
		Operating Companies									
5	O	Bridgeport Hydraulic ..	29	$1.70(r)	5.8%	$2.10De	2%	4%	13.8	81%	58%
13	O	Calif. Water Service ...	42	2.40	5.7	3.38N	17	3	12.4	71	32
4	O	Elizabethtown Water ...	38	1.60	4.2	3.28De	16	31	11.6	49	56
9	S	Hackensack Water	38	2.00	5.3	2.87De	D20	2	13.2	70	37
8	O	Indianapolis Water	18	1.00	5.6	1.42De	D12	17	12.7	70	34
5	O	Jamaica Water	32	2.00	6.3	2.88Se†	—	8	11.1	69	25
4	O	New Haven Water	55	3.40	6.2	2.34Je	NC	—	23.5	145	58
2	O	Ohio Water Service	24	1.50(t)	6.3	2.54Se	D7	7	9.4	59	36
8	O	Phila. & Sub. Water ...	30	.50(e)	1.7	3.27Se	25	3	9.2	15	28
2	O	Plainfield Union Water .	55	3.00	5.5	5.04De	D6	5	10.9	60	39
4	O	San Jose Water	45	2.80(r)	6.2	3.81Oc	10	9	11.8	73	45
10	O	Scranton-Springbrook ...	16	1.00	6.3	1.48Se	3	8	10.8	68	29
5	O	South. Calif. Water	14½	.80	5.5	1.24Se	15	8	11.7	65	34
4	O	W. Va. Water Service ..	17	.68(p)	4.0	1.83Se	D1	—	9.3	33	17
		Averages			5.1%				12.2	66%	

A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. Ja—January; F—February; Ma—March; Ap—April; My—May; Je—June; Jy—July; Au—August; Se—September; Oc—October; N—November; De—December. (e)—Also 5 per cent stock dividend December 1, 1957. (i)—Two per cent stock dividend December 10, 1957. (j)—Two per cent stock dividend December 30, 1957. (k)—Two per cent stock dividend December 19, 1957. (l)—Four per cent in stock May 3, 1957. (m)—Ten per cent stock dividend January 2, 1957. (o)—Forty per cent stock dividend June 14, 1957. (p)—Also 1 per cent stock dividend quarterly. (q)—Ten cents in January, 1957. (r)—Includes extras. (s)—Estimate for December 31, 1957. (t)—Also 2 per cent stock dividend September 30, 1957. (u)—Also 10 per cent stock dividend December 30, 1957. (v)—Also 2 per cent stock dividend December 30, 1957. (w)—Also 4 per cent stock dividend December 31, 1957. NC—Not comparable. NA—Not available. D—Deficit 1951. *On average shares. **1951 was an abnormally bad year. †—Adjusted to eliminate 24 cents per share of nonrecurring tax savings.

What Others Think

The Electric Industry in 1957

THE electric industry reached its seventy-fifth year in 1957, continuing during the year its record of remarkable postwar growth, and its constantly increasing service to American life, economy, and defense.

A year-end review by J. W. McAfee, president of the Edison Electric Institute, reports that in the past seven years, or less than one-tenth of its history, electricity generating capability and production have each increased by over 90 per cent, while sales have doubled. Average annual use of electricity per residential customer has increased by 1,334 kilowatt-hours, the seven-year increase alone being greater than total use per residential customer only eleven years ago.

Generation of electricity by all components of the industry totaled 636 billion kilowatt-hours, an increase of 35 billion over 1956; sales of electricity reached 561 billion kilowatt-hours, an increase of 31 billion for the year; and average annual use per residential customer increased 195 kilowatt-hours to reach a total of 3,164.

An additional 85 billion kilowatt-hours generated by industrial and railway plants pushed the grand total of electricity production in the United States to 721 billion kilowatt-hours during the year.

During 1957, approximately 8.5 million kilowatts of new generating capability were added to the nation's power lines, bringing the total generating capability to 135 million kilowatts by the end of December.

The year 1958 begins with by far the largest construction program yet undertaken, including the scheduling of 16.25 million kilowatts of new generating capability to go into service in 1958, as well as extensive construction of new transmission and distribution lines.

THE installation of new generating facilities in 1958 will exceed the previous high record of 1955 by almost 4 million kilowatts, and is about equal to the total net installations of the ten years between 1937 and 1947.

During the next decade it is estimated that more than 130 million kilowatts of net generating capability will be added to the present total.

The additions already scheduled (or on order) for 1958 and later include nearly 40 million kilowatts in steam plants and a little more than 5 million in hydro installations. Of this total of 45 million kilowatts, 37 million are planned for installation by investor-owned companies. The remaining 8 million have been scheduled by the federal government and other public agencies.

The progressive and dynamic qualities

of the electric industry are demonstrated not only by its extraordinary service record, but also by its constant efforts to increase efficiencies and economies in generation and transmission of electricity, the EEI review continues.

In the new field of nuclear power, activities of the electric utility industry showed continuous progress and significant expansion during the year. Two experimental plants in which electric utility companies are participating went into operation, and the large-scale Shippingport plant is now under test and full-scale operation is expected early in 1958. Planning and construction work on other large nuclear generation stations showed continuing progress. A detailed statement on atomic power progress appears later in this review.

Investment in electric plant and property of the investor-owned electric companies reached approximately $36.5 billion by the end of 1957. This figure has almost doubled in the past seven years.

During the past decade construction expenditures for generating, transmission, distribution, and miscellaneous facilities have averaged $2.6 billion per year. The expenditures for construction in 1957 were $3.7 billion.

Construction expenditures budgeted for 1958 total $3.9 billion. Construction budgets are expected to average over $4 billion a year for the next several years, ranging up to $5 billion per year by the end of 1967.

Of the total 561 billion kilowatt-hours sold in 1957 industrial sales accounted for 285 billion, as compared with 277 in 1956. Sales to residential customers reached 147 billion kilowatt-hours, an increase of 13 billion over the 1956 sales. Sales to commercial customers accounted for 95 billion kilowatt-hours, compared with 88 billion in 1956. Sales to other customers totaled 34 billion kilowatt-hours.

Gross revenue of the investor-owned electric companies totaled $8,047,000,000 in 1957. It was $7,521,000,000 in 1956. Net income was $1,405,000,000 in 1957, and in 1956 it was $1,346,000,000.

Approximately $2,550,000,000 of construction financing was realized from the sales and delivery of securities, and the remainder drawn from depreciation reserves, surplus accruals, and short-term borrowing.

Bond sales and deliveries in 1957 totaled approximately $2 billion, common stock $450 million, and preferred $100 million.

The investor-owned electric companies will pay $1,825,000,000 in federal, state, and local taxes for 1957, or 22.7 per cent of gross revenues, compared with $1,766,000,000 in 1956. Federal taxes were $1.1 billion, and state and local $725 million. Wages and salaries, the next highest item in the expense account, totaled $1,420,000,000. This item was $1,335,000,000 in 1956. Fuel costs, the third highest item, were $1,390,000,000 during the year. Fuel costs totaled $1,236,000,000 in 1956.

Customers of the electric industry totaled 55,175,000 at the end of 1957, a gain of 1,180,000 over the preceding year. For several years over 98 per cent of occupied homes, both urban and rural, have been connected for electric service. Accrual of new customers is now largely determined by the establishment of new families and homes.

Residential and rural customers totaled 48.5 million at the end of 1957 and commercial and industrial 6.5 million. During the past ten years, residential and rural customers have increased by 15.4 million.

Average annual use of electricity in the home passed the 3,000-kilowatt-hour

mark early in the year, and at year's end was at the rate of 3,164 kilowatt-hours. This was an increase of 195 kilowatt-hours over 1956, and well over the average increases of the past decade.

During the ten-year period 1947-57 the average annual increase in the residential use of electricity was 173 kilowatt-hours, as compared with 63 kilowatt-hours in the preceding decade.

Electricity's contributions to better living continue to win widespread acceptance. Major factors in the steadily increasing use of electricity in the home have been the growing acceptance of an ever-widening range of electrical appliances by the residential consumer, and the rapid extension of home air conditioning.

Expanding consumption of electricity and the promotional character of electricity rates, combined with continuing improvements in operating efficiency, have enabled electric companies to reduce the cost per kilowatt-hour of electricity to the consumer. This has been achieved despite rate increases and the general rise in the cost of living during the postwar years. The average revenue per kilowatt-hour sold to domestic customers was 2.56 cents in 1957, a decrease of 17.2 per cent from the 1947 average of 3.09 cents. The average revenue in 1956 was 2.60 cents.

According to the records of the EEI, 499 applications for rate increases were made by electric companies to regulatory commissions from 1946 through the first eleven months of 1957. Of these, 440 were granted, 28 are pending action, 12 were withdrawn, and 19 were denied.

The 1957 record for the first eleven months shows 31 new cases before the commissions, of which 9 have been granted and 22 are still pending.

It is obvious from the high percentage of rate increase approvals that commissions generally recognize the necessity for rate adjustments to insure the financial health on which continuance of adequate electric service depends.

Direct owners of electric utility companies—the stockholders—are estimated to number about 3.8 million, while nearly every American has an indirect financial interest in electric company operation. Included among the indirect owners are 106 million life insurance policyholders and an estimated 21.5 million depositors in mutual savings banks, as well as members, shareholders, or policyholders in various charitable and fraternal organizations, religious and educational institutions, foundations, etc., which are holders of electric company bonds.

At the end of the year over 100 electric utility companies, togethef serving a majority of the nation's electric customers, were actively engaged in various phases of nuclear power research, development, and construction. Sixty companies were participating in the planning or construction of 13 nuclear power plants, of which two were completed and placed in operation during the year, one was essentially completed and undergoing testing, four were under construction, and the remaining six were in various stages of planning. The seven plants either in operation or under construction are expected to have a combined capacity of more than 750,000 kilowatts and involve expenditures, by the companies concerned, of over $285 million. The six projects in various planning stages will add substantially to both capacity and investment.

In addition to the 13 nuclear power plant projects, electric utilities are participating in four major nuclear power research and development groups. One group is carrying out research and development work in conjunction with a nuclear power

plant project now under construction; two are undertaking major research and development projects looking toward eventual construction of nuclear power plants; one is undertaking a major research project in the field of thermonuclear energy. Additional electric utility companies are participating in a number of other study and research groups investigating various phases of nuclear power.

Last summer saw the initial operation of the first nuclear power plant designed to serve customers of a utility system. The experimental Santa Susana nuclear power plant, located about thirty miles from Los Angeles, is a joint effort of the Atomic Energy Commission, North American Aviation, and the Southern California Edison Company. It has a generating capacity of 6,500 kilowatts.

In the fall, electricity was generated from the first nuclear power plant wholly financed by industry. The Vallecitos experimental nuclear power plant, with a capacity of 5,000 kilowatts, is a joint project of the General Electric Company and the Pacific Gas and Electric Company.

The Shippingport nuclear power plant, the world's first large-scale plant constructed primarily for the production of electricity, was completed during the year and is currently undergoing testing. Full-scale operation is expected in the early part of 1958. This project, a joint endeavor of the Atomic Energy Commission, Westinghouse Electric Corporation, and the Duquesne Light Company, will have an initial capacity of 60,000 kilowatts.

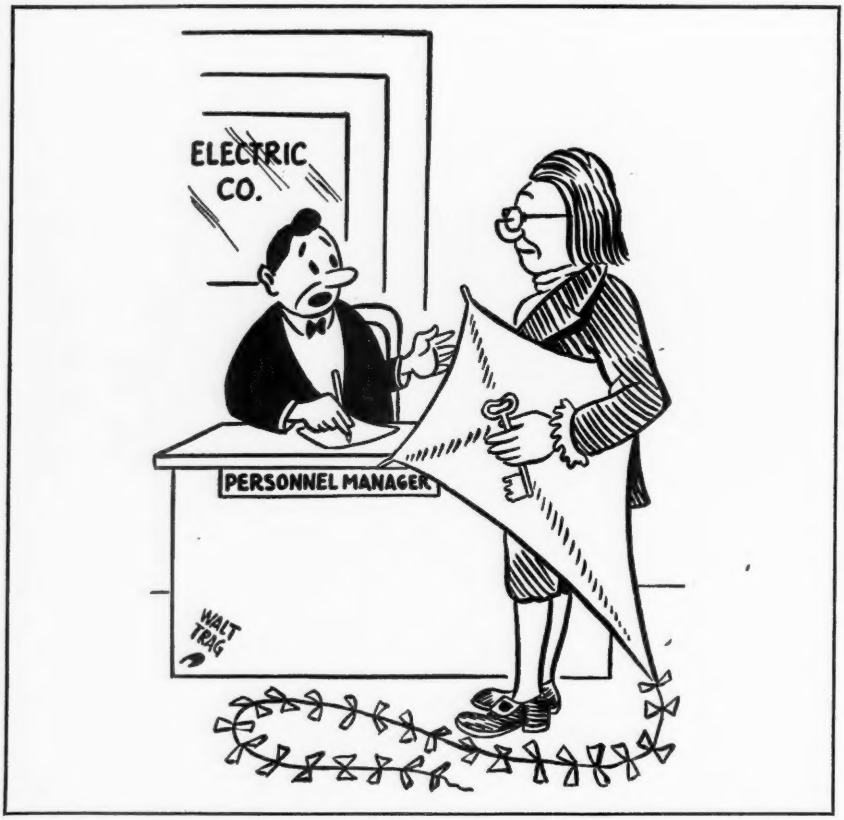
Major construction work on the 100,000-kilowatt Enrico Fermi nuclear plant being constructed by the Power Reactor Development Company and the Detroit Edison Company, which began in the latter part of 1956, continued during 1957. Major construction work on the 180,000-kilowatt Dresden plant, a project of the Commonwealth Edison Company and Nuclear Power Group, Inc., began in June of 1957. Site work on the 275,000-kilowatt Indian Point plant of Consolidated Edison Company of New York, Inc., and the 134,000-kilowatt plant of Yankee Atomic Electric Company began during 1957, and major construction work on both of these plants is expected to begin in early 1958.

During the year, several groups of electric utility companies undertook nuclear power development work. In February, eleven companies serving in the North-Central area of the United States formed the Central Utilities Atomic Power Associates. This group is undertaking the development and construction of a 66,000-kilowatt reactor scheduled for completion in 1962. A contract with the Atomic Energy Commission to carry out the project under the third round of the AEC Power Demonstration Reactor Program was recently signed.

Also in February, twelve electric utility companies serving the Ohio valley and contiguous areas formed the East Central Nuclear Group. This group plans to undertake a program of nuclear reactor research and development which it believes will represent a significant advance in the technology and economics of utilizing nuclear fuel to produce commercial electric power.

In mid-1957 fifteen utilities serving Arkansas, Louisiana, Mississippi, Kansas, Missouri, and Oklahoma, announced formation of the Southwest Atomic Energy Associates. This group has as its purpose to carry out a major research and development program aimed at practical use of atomic energy as a supplemental fuel for the future electrical needs of the states in which they serve.

In April of 1957 eleven Texas utility



"WHAT OTHER EXPERIENCE HAVE YOU HAD?"

companies announced the formation of the Texas Atomic Energy Research Foundation.

This group subsequently joined with general atomic division of General Dynamics Corporation in sponsoring a four-year, $10 million research program in the field of thermonuclear reactions.

Also during 1957 the San Diego Gas & Electric Company joined with general atomic division of General Dynamics Corporation in undertaking nuclear power research work, and the Rockland Light & Power Company formed a group with several manufacturing firms to carry out nuclear power investigations.

All told, electric utility companies are now engaged in a substantial effort aimed at bringing about the development of economic nuclear power at the earliest practicable time. While the technological challenges are indeed formidable, electric power companies, both individually and in groups, have continued to demonstrate their eagerness and competence to do their part in overcoming these challenges.

It is obvious from the figure of $1,825,000,000 in federal, state, and local taxes assessed against the investor-owned electric companies for 1957 that the pure physics of electrical production have been

converted into a sizable taxable product, the review states.

During the past ten years, purchasers of electricity in the United States, through their electricity bills, have paid approximately $13 billion that in turn were paid over to federal, state, and local tax collecting agencies.

These purchasers, comprising approximately 80 per cent of the country's electricity consumers, are the customers, presently some 44 million, of the investor-owned, tax-paying electric companies.

During the next ten years, on the basis of the trend in increasing use of electricity, and at the present rates of taxation, these customers will contribute additionally through the same means more than $25 billion to help defray the cost of government, in all its numerous activities.

These figures spotlight the advantages enjoyed by the customers of federal and other public power agencies, who paid in their electricity bills no federal taxes, according to EEI.

Federal tax payments by the electric power companies alone in 1957 were nearly one and one-half times greater than the combined total of all personal income taxes and all corporate taxes paid by business and industry in 1933, the year of the passage of the TVA Act.

In that depression year, and it was a low point in the general economy, federal income taxes from individuals totaled $353 million, while taxes collected by the federal government from all corporations in the United States totaled $394 million. The significance of these figures in relation to TVA and other federal power projects becomes apparent in the light of today's tax burden. For fiscal year 1956, income taxes from individuals totaled over $35 billion, an increase of slightly over 99 times the 1933 figure. Corporation taxes for 1956 totaled over $21 billion, an increase of 53 times the amount collected for fiscal 1933.

The figures and comparisons presented above demonstrate the increasing magnitude of the disparity in taxation treatment of electricity consumers, who have common citizenship and common obligations in the same country, the review notes. Striking as they are in a tax-conscious age, and important as they are in the national economy, they are not the only reason why an examination and a reappraisal of the position of the investor-owned electric companies in relation to governmental power enterprises are urgently needed. There are others, concludes the review, ethical and ideological, which transcend the economic considerations.

Rate Departments in Electric Utility Company Organizations

This paper stems from an examination of the organization charts of 86 electric utility companies, with special attention to the structure provisions for the so-called rate "department" function. This function is not uniformly recognized or organized, and it is variously defined. The following composite definition has been prepared, however, to serve as a frame of reference:

The rate "department" develops proposed rate policies to insure adequate revenues; studies costs of service, rate applications, and rates of return by customer classes; prepares rate schedule forms and proposed rate schedules; prepares rate case data; files, distributes, and interprets rate schedules; furnishes rate information; makes certain reports to regulatory agencies; keeps records

and compiles statistics respecting rate matters; and makes special studies in connection with rates.

It is to be understood that no one company defines the functions of its rate "department" in exactly this way. Some of the activities are carried out elsewhere in some companies; and in other companies, as is later shown, the rate "departments" are charged with economic research, market research, contract administration, and other related responsibilities.

In the cases of 20 of the 86 companies, the organization charts make no reference whatsoever to rate "department" functions. (See Table 1, this page.) The data in this report, therefore, are applicable only to the 66 remaining companies.

The findings relate to the titles of the rate "department" executives, to the provisions made for their supervision, to the levels they occupy in their company organizations, and to the related activities with which rate "departments" are grouped in the organization structures of these companies.

Rate "Department" Executives

Of the 66 companies whose organization charts make some reference to the rate "department" function, there are 44 whose charts give the titles of the rate "department" heads. These titles are shown in Table 2, page 191.

Rate engineer and rate manager are the titles most commonly employed, with rate director being the third most popular choice. A few rate "departments" are headed by vice presidents, a few by supervisors, and a few by other executives with miscellaneous titles.

In 16 of the 44 cases, combination titles linking the rate "departments" with certain related activities are in use.

Supervision of Rate "Department" Executives

In the large majority of cases, 56 of the 66 companies, the head of the rate "department" function is responsible direct to a vice president or a higher-ranking officer of the company in each instance. In 16 of these cases, the chief executives give direct supervision to the rate "department" heads.

Table 3, page 192, lists these supervisory executives for all 66 companies.

Organization Levels at Which Rate "Department" Executives Are Placed

Table 4, page 193, shows the number of intermediate executives in line of

TABLE 1

NUMBER OF ORGANIZATION CHARTS AMONG THOSE FOR 86 ELECTRIC UTILITY COMPANIES THAT ACCORD SPECIFIC RECOGNITION TO THE RATE "DEPARTMENT" FUNCTION, 1956

Item	*Number of Companies*[a] *Total*	*Large*	*Medium*	*Small*
Those containing some specific reference to the rate "department" function	66	14	44	8
Those containing *no* specific reference to the rate "department" function	20	—	14	6
All cases	86	14	58	14

[a] Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

authority between the 66 chief executives and the rate "department" executives. For the most part, the latter are highly placed in the organization hierarchy, being at the level next below the chief executive in 16 cases and at the next lower level in 38 other cases.

In only one case of the 66 are there as

TABLE 2

TITLES OF RATE "DEPARTMENT" EXECUTIVES IN 44 ELECTRIC UTILITY COMPANIES, 1956

Titles	*Number of Companies*[a] *Total*	*Large*	*Medium*	*Small*
Vice President				
Vice President, Rates	2	2	—	—
Vice President, Rates and Research	1	—	1	—
Vice President and Assistant to President	1	—	1	—
Subtotal	4	2	2	—
Corporate Secretary				
Secretary, Rate and Valuation	1	—	1	—
Director				
Director, Rates	2	1	1	—
Director, Rates and Economic Studies	1	1	—	—
Director, Rates and Research	1	—	1	—
Director, Rates and Valuations	2	—	2	—
Director, Regulatory Research	1	—	1	—
Subtotal	7	2	5	—
Manager				
General Manager, Rates and Market Research	1	1	—	—
Manager, Rates	5	1	4	—
Manager, Rate Research	1	—	1	—
Manager, Rates and Contracts	2	1	1	—
Manager, Rates and Market Research	1	—	1	—
Manager, Financial Analysis and Rates	1	1	—	—
Manager, Rate and Standard Practice	1	1	—	—
Subtotal	12	5	7	—
Engineer				
Rate Engineer	14	2	8	4
Rate and Appraisal Engineer	1	—	1	—
Subtotal	15	2	9	4
Supervisor				
Supervisor, Rates and Research	1	—	1	—
Supervisor, Marketing and Rates Surveys	1	—	1	—
Subtotal	2	—	2	—
Miscellaneous				
Chief of Rate Department	1	—	1	—
Head, Rate Department	1	—	1	—
Head, Rate and Economic Research Department	1	—	1	—
Subtotal	3	—	3	—
Total	44	11	29	4

[a] Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

many as three intermediate executives in line of authority between the chief executive and the rate "department" head.

Grouping of Rate "Department" Function with Major Company Functions

As Table 5, page 193, indicates, the rate "department" function is grouped with some other *major* company function or functions under a group executive in each of 46 of the 66 companies, and is kept separate from such groupings in each of 20 companies.

In 21 of the 46 cases in which groupings are to be found, the rate "departments" are grouped with the sales function or with sales and some other major company function. A variety of other groupings exists. In only a few cases, however, are the rate "departments" grouped with accounting or financial management functions.

TABLE 3

TITLES OF EXECUTIVES HAVING DIRECT SUPERVISORY AUTHORITY OVER RATE "DEPARTMENT" EXECUTIVES IN 66 ELECTRIC UTILITY COMPANIES, 1956

	Number of Companies[a]			
Titles	*Total*	*Large*	*Medium*	*Small*
Chief Executive	16	3	11	2
President[b]	1	—	—	1
Executive Vice President	1	—	1	—
Vice President				
Vice President	10	3	6	1
Vice President, Rates and Contracts	1	—	1	—
Vice President, Rates and Labor Relations	1	—	1	—
Vice President, Sales and Rates	1	—	1	—
Vice President, Engineering and Rates	1	1	—	—
Vice President, Sales	6	1	5	—
Vice President, Commercial	6	2	3	1
Vice President, Planning	2	—	2	—
Vice President and General Counsel	2	1	1	—
Vice President, Division Operations	2	—	2	—
Vice President, Operations	1	—	1	—
Vice President and Treasurer	1	—	—	1
Vice President, Finance Group	1	1	—	—
Vice President and Executive Assistant	1	—	—	1
Vice President and Assistant to General Manager	1	—	—	1
Vice President and Executive Engineer	1	1	—	—
Subtotal	38	10	23	5
Assistant to President	2	—	2	—
Assistant to Vice President	1	—	1	—
Manager				
Commercial Manager	3	—	3	—
Manager, Rates and Research	1	—	1	—
Subtotal	4	—	4	—
Assistant to General Manager, Budget and Rates	1	—	1	—
Controller and Secretary	1	—	1	—
Assistant Controller	1	1	—	—
All Cases	66	14	44	8

[a] Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

[b] The chairman of the board serves as the chief executive.

Good logical arguments can be found for associating the rate "department" function with sales management, with accounting and financial management, or with legal services. There are also good logical arguments for not grouping the rate "department" with *any* major company function. Very few logical arguments can be advanced, however, for grouping the rate department function with operations, engineering, purchasing, personnel management, general services, or field management, to name most of the other major functions listed in Table 5.

If the rate "department" is kept separate from any other major company function in the company organization, it will then be in a so-called neutral position, where theoretically it will not be unduly swayed, on the one hand, by any sales viewpoint of making selling easier regardless of profit or difficulty of administration or, on the other hand, by any financial management viewpoint that might resist changes that would later bring profitable sales volumes. Another strong argument in support of the separate rate "department" pattern is that rate making is such

TABLE 4

NUMBER OF INTERMEDIATE EXECUTIVES IN LINE OF AUTHORITY BETWEEN CHIEF EXECUTIVE AND RATE "DEPARTMENT" EXECUTIVE IN 66 ELECTRIC UTILITY COMPANIES, 1956

	Number of Companies[a]			
Number of Intermediate Executives	*Total*	*Large*	*Medium*	*Small*
None	16	3	11	2
One	38	9	25	4
Two	11	2	7	2
Three	1	—	1	—
All Cases	66	14	44	8

[a] Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

TABLE 5

GROUPING OF RATE "DEPARTMENT" FUNCTION WITH MAJOR COMPANY FUNCTIONS IN 66 ELECTRIC UTILITY COMPANIES, 1956

Major Company Functions with Which	*Number of Companies*[a]			
Rate "Department" Grouped	*Total*	*Large*	*Medium*	*Small*
Not grouped with major function	20	5	14	1
Sales	16	4	11	1
Sales and Field Management	4	—	3	1
Sales and Personnel Management	1	—	1	—
Accounting and Financial Management	4	2	1	1
Operations	5	—	2	3
Operations and Engineering	1	—	—	1
Engineering	1	1	—	—
Engineering and Financial Management	1	—	1	—
General Services	5	1	4	—
Purchasing	1	—	1	—
Legal Counseling	3	1	2	—
Corporate Secretary Services	2	—	2	—
Personnel Management	1	—	1	—
Field Management	1	—	1	—
All Cases	66	14	44	8

[a] Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

a vital matter that much of its work should receive close attention from the very top management of the company in any event. On the other side of the picture are these arguments:

a. The chief executive cannot give direct supervision to every important function, and the line between what he does and does not supervise directly has to be drawn somewhere.

b. Many of the rate "department" activities are not such as to require the direct supervision of the top executive, so that an intermediate executive can be safely interposed, with the top executive retaining authority to make the final decisions on the vital matters.

Although there are many talents in the legal department that can be used advantageously in rate "department" matters, the same can be said respecting combinations of legal departments with other functions. Legal skills are useful in the administration of many different activities. It seems more logical to place the legal department in a service capacity to all other company functions, than it does to make it an "operating" department in which various company prime functions may be administered.

Marketing and pricing are closely related activities in any business that has something to sell. A commodity or service that is not priced right will not sell right, and for this reason the sales department should have a voice in the pricing. But it is also true that the price must be set so as to yield the right profit, on the average, and not set at a point that will make selling the easiest. There is always a sales department tendency to drift toward a pricing policy that will make selling easy, regardless of profit.

If, then, the rate "department" function is to be grouped with sales functions under a common group executive, the executive or executives in higher authority must be exceedingly diligent in their supervisory capacities to avoid rate policies and rate practices that are aimed principally at sales volume without due regard for other considerations.

TABLE 6

SECONDARY GROUPING OF RATE "DEPARTMENT" FUNCTION WITH MINOR COMPANY FUNCTIONS IN 66 ELECTRIC UTILITY COMPANIES, 1956

Minor Company Functions with Which Rate "Department" Grouped	*Number of Companies** Total	Large	Medium	Small
Not grouped with minor functions	29	6	17	6
Economic Research	13	1	12	—
Planning	2	—	2	—
Market Research	6	1	4	1
Valuation	5	1	4	—
Valuation and Land Procurement	1	1	—	—
Valuation and Franchise Procurement	1	—	1	—
Budgeting	2	—	2	—
Financial Analysis	1	1	—	—
Statistical Services	2	1	1	—
Standardization of Practice	1	1	—	—
Customer Contract Administration	2	1	1	—
Power Sales	1	—	—	1
All Cases	66	14	44	8

* Companies having over $100 million annual revenues classed as "large"; those having $25-$100 million annual revenues classed as "medium"; and those having under $25 million annual revenues classed as "small."

If, on the other hand, the rate "department" function is to be grouped with accounting and financial management functions under a common group executive, where the relationships of rates to profitability, financing, and accounting administration will be given fullest consideration, there is a tendency to forget the selling and sales promotion problems involved in rate administration.

Summarizing, the three most logical plans for fitting the rate "department" function into the company organization structure are those of:

a. Letting it occupy a separate spot under direct supervision of the top executive.

b. Grouping it with sales functions under a common group executive.

c. Grouping it with accounting and financial management functions under a common group executive.

No one of these three plans is the "perfect" answer; and any one of them with the proper administrative safeguards may be a satisfactory answer. The safeguards should provide for letting both sales and financial management interests have a voice in the reaching of properly balanced decisions on major rate policies and practices, regardless of the place occupied by the rate "department" in the company organization.

Grouping of Minor Company Functions With the Rate "Department" Functions

WITHIN any major grouping of the rate "department" function and a major company function, the rate "department" may also be charged with the administration of some other minor function or function.

Such combinations with minor functions may also be made in cases in which the rate "departments" are not grouped with some major function.

Table 6, page 194, shows the extent to which rate "departments" are so grouped with minor company functions in the 66 companies for which data were at hand. Most commonly (in 29 of these companies) there is no such minor grouping. In 13 companies, the economic research function is grouped with the rate "department" function; in six companies, market research is the complementary minor function; and in seven companies, the "valuation" function is placed alongside the rate "department" function. In a few cases, various other minor functions are grouped with the rate "department."

—GEORGE W. PEAK,
Director of organization planning,
Public Service Company
of Indiana, Inc.

Notes on Recent Publications

AN account of the electric utility industry in Wisconsin is to be found in *"Let There Be Light,"* a recent publication of the American History Research Center. Although American historians have generally been concerned with political questions, recent years have seen them turning more and more to the nature and extent of American industrial development as a means of acquiring a more profound view of the meaning of politics. Unfortunately, the electric industry has escaped the searching analysis accorded to other segments of American industry, notably the oil and automotive industries.

As the author, Forrest McDonald, notes in his preface, "in treating the 1920's most history textbooks call attention to evils, real and imagined, that attended the development of public utility holding companies, and in discussing the New Deal virtually all point to its far-reaching legislation regarding electric utilities. The ventures of the national govern-

ment into ownership of electric power systems, through such agencies as the Tennessee Valley Authority and the Rural Electrification Administration, are also ordinarily mentioned, sometimes in such a way as to suggest that such ventures were themselves responsible for the creation of the nation's network of electric power systems."

McDonald's book, while it attempts to correct the somewhat distorted view of the electric industry, is primarily concerned with a discussion of the economic and social impact of the development of central station electric supply, and its effects on the daily lives of ordinary Americans. "To attempt to understand United States history without taking into account this revolution in the utilization of energy is as glaring an oversight as it would be to fail to observe that it took place on the North American continent," the author states. Although his historical study is confined to the industry in Wisconsin, it is a welcome addition to a growing body of historical literature designed to clarify American history and character by looking at the accomplishments of the people.

LET THERE BE LIGHT, by Forrest McDonald. The American History Research Center, Inc. Madison, Wisconsin, 1957, 404 pages.

RESOURCES FOR THE FUTURE, INC., has issued its 1957 annual report, covering the year ending last September 30th.

Reuben G. Gustavson, president and executive director, summarizing the year's developments, states:

> Results of three staff research projects were published during the past year: a full-length critical study of the ownership and management of the federal lands and a survey of peaceful applications of atomic energy with special reference to underdeveloped countries appeared as books; and a survey of regional studies in U. S. universities was issued in mimeographed form. Two other books—a collection of essays on the education of city, state, and regional planners; and a study of the future supply of oil and natural gas in the United States—were in press as the year ended. Final manuscripts of an economic study of multiple-purpose river development and of a report of the findings and recommendations of a special committee on forest credit were nearly ready for publication. Half a dozen other manuscripts representing studies in all the staff's major areas of work were well advanced....
>
> In the main we are using the methods and skills of the social sciences—including economics, geography, and political science—to try to understand the human problems resulting from resource developments and situations, and to foresee their implications. This is not to underrate the importance of natural science and engineering in developing and conserving resources; it simply reflects our belief that in view of the work already being done in those fields by industry, government, universities, and foundations, Resources for the Future's best opportunities to help solve resource problems lie in the relatively neglected field of the social sciences.

In an introductory essay Joseph L. Fisher, associate director, writes:

> Thus far, and for understandable reasons, research [in the United States] has been directed mainly to natural science and technology.... [But] the awesome difficulties in the world seem to be mainly those of men and nations, their behavior and interrelations; these difficulties can helpfully be approached through . . . the social sciences. . . .
>
> Of great importance in a direct approach through the social sciences to any [natural resource] problem is the formulation of basic or general policies to guide the numerous specific decisions regarding it....

The 100-page report summarizes the year's accomplishments in the organization's main fields of work—water resources, energy and minerals, land use and management, regional studies, resources and national growth, and resources education. Some examples of some of the year's staff research projects are presented through text, charts, and maps. Copies of the report may be obtained by writing Resources for the Future, 1145 19th street, N.W. Washington 6, D. C.

The March of Events

REA Measure Introduced

SENATOR Hubert H. Humphrey (Democrat, Minnesota) on January 13th introduced legislation to revoke the Secretary of Agriculture's authority over the Rural Electrification Administration. Humphrey said his move was an outgrowth of his "futile efforts" to get Agriculture Secretary Benson before a Senate Government Operations subcommittee to explain changes requiring Benson's approval of REA loans over $500,000.

Humphrey's measure would restore to the REA head all administrative functions transferred to the Agriculture Secretary in 1953.

"Perhaps Secretary Benson could have avoided this legislation if he had been willing to come before my committee for the hearings I requested," Humphrey said. "Perhaps now, if he is anxious to retain his authority, he will find time to come."

Asks Court to Kill Gas Rate Rule

SOLICITOR General Lee Rankin recently asked the U. S. Supreme Court to kill an order of the state of Kansas setting a floor price on natural gas at the wellhead. Speaking for the Justice Department and the Federal Power Commission, he said the order ran head-on into the FPC's jurisdiction over natural gas rates confirmed by the court in 1954 in interpreting the Natural Gas Act. Since the 1954 decision in the Phillips case, FPC has been attempting to regulate all sales at the wellhead.

"It is quite clear," Mr. Rankin told the court, "that (the Kansas order) reaches into every pipeline that supplies important areas of the country."

He said 13 interstate pipeline companies purchase gas from the Hugoton field which Kansas has sought to control through its order. An attorney for the state told the court that the order, though naming a minimum price, was aimed primarily at conservation.

"The order regulates severance in the interest of conservation," he argued.

Cities Service Gas Company and the government have asked the Supreme Court to overturn a lower court decision approving the state order.

President Asks TVA Funds

PRESIDENT Eisenhower has asked Congress to appropriate $16,850,000 in new federal funds for TVA in the coming fiscal year and give it authority to issue revenue bonds. He said in his Budget mes-

sage that the revenue bond authority is needed so that TVA "may be in a position to meet approved needs for new generating facilities."

Eisenhower's budget also included, under the proposed revenue bond legislation, $125 million to finance construction of new power-generating units.

Senator Estes Kefauver (Democrat, Tennessee) said the TVA budget emphasized the need for a self-financing plan for the agency. He said it was the second year that the budget "has contemplated large construction expenditures out of revenue bond funds, and in which the appropriations for TVA have been negligible."

He called for the President's help in getting a self-financing bill, passed by the Senate last year, through the House.

Nebraska

Public Power Consolidation Planned

HOPES for peace in Nebraska's public power dispute took a further turn for the better early this month, it was reported as a plan to consolidate the state's power-producing facilities was proposed by one faction. The opposing faction generally agreed on the proposal if it is made clear that it will be included in the plan.

The proposal, made by Gerald Gentleman, general manager of the Platte Valley Public Power and Irrigation District, was "tentatively" approved by Consumers' general manager, Ray Schacht, and "fully agreed" on by Dewey DeBoer, executive director of the Nebraska Public Power System.

Gentleman said the plan called for consolidation of the Platte District, the Loup River Public Power District, and the Nebraska Public Power System as a single major power generation and transmission agency.

The Platte and Loup districts now own and operate the Nebraska Public Power System.

According to Gentleman's plan, which he said has been discussed among power leaders for the past few months, the new consolidated district would be known as the Nebraska Public Power District.

Lloyd Kain, of Lexington, president of the Platte Valley District, supported Gentleman's proposal. "If we are to have lasting peace in the state's public power program we must have a clear-cut definition of responsibilities and fields of operation," he said.

Cannot Join Suit

DISTRICT Judge C. B. Ellis recently refused to let 17 rural power districts and Nebraska Public Power System join Norris Rural Public Power District in its fight to keep its contract to sell power to Beatrice.

Judge Ellis called it "an attempt to create a rooting section within the lawsuit for one side. It just won't work in this court," he said.

The 17 rural districts and NPPS had asked permission to intervene in the suit and Consumers Public Power District, which seeks to have the Norris contract with Beatrice thrown out, filed demurrers to the two petitions. Judge Ellis sustained both Consumers' demurrers on January 10th.

NPPS has a contract to supply power to Norris running until 1991, and while NPPS presently supplies power to Consumers, it has no such long-term contract with Consumers. The attorney for NPPS

argued that if the contract between Norris and the city of Beatrice is voided, it is possible that NPPS might lose the Beatrice load.

New York

Joins State Power Panel

DR. FINLA G. CRAWFORD, vice chancellor of Syracuse University, was sworn in this month as a member of the New York State Power Authority. He replaced John E. Burton, vice president of Cornell University, whose term expired last May 6th. The new member will serve the balance of a five-year term expiring on May 6, 1962.

Dr. Crawford's membership on the authority will give the Democrats a majority on the five-member agency, which is headed by Robert Moses, a Republican. The other Democratic members are former Governor Charles Poletti of New York city and A. Thorne Hills of Lockport, New York. The fifth member is William Wilson, a former New York city buildings commissioner.

The power authority is now engaged in the construction of the St. Lawrence river hydroelectric project, begun in 1954, and will begin the development of the Niagara river project as soon as a license can be obtained from the Federal Power Commission.

Gas Bill Minimum Increased

THE state public service commission recently authorized the Consolidated Edison Company to increase its monthly minimum charge for gas service from $1.20 to $1.50. The new charge will affect those of the company's 1,324,000 gas customers who use less than 300 cubic feet a month and thus pay the minimum. It will be effective after the first 1958 meter readings.

In asking for the increase, the utility told the commission its average monthly cost for each gas customer has been more than $2.30.

Consolidated Edison provides gas in Manhattan, the Bronx, Westchester, and part of Queens.

Oregon

Gas Firm Formed

FORMATION of a new public utility, the Northern Utility Company, to sell natural gas to the Harvey Aluminum Company and other consumers in the Chenowith area when the fuel becomes available, was announced recently.

Edward T. Chambers, general manager of the company organized by a three-man law firm and incorporated in Salem, said an office was being opened in the Chenowith area, west of The Dalles. Attorney for the firm said it would seek the purchase of natural gas from the Northwest Pipe Line Company, which recently completed a line on the north side of the Columbia river. The gas would be brought into The Dalles by a pipeline connection. The new company is headed by George A. Rhoten, with partners Richard Sabin as secretary-treasurer, and Sam F. Speerstra as vice president. All are of Seattle.

Power Development Commission Sought

A PRELIMINARY initiative petition filed with the secretary of state's office early this month proposed an act which would make the state a preference customer of the Bonneville Power Administration and create an Oregon Power De-

velopment Commission to handle resale of power to industrial customers.

Sponsors of the proposal, which said it would encourage industrial development in the state, include the Oregon Electric Consumers Council, composed of the state Grange, Farmers Union, AFL-CIO, and the people's utility district and rural electrification groups.

Complete petitions, containing at least 38,514 signatures of voters, must be filed by July 3rd to insure the initiative measure a place on the November ballot.

The proposed Oregon Power Development Commission would consist of three members elected by the people and would have authority to develop new sources of electrical energy by constructing dams and transmission lines. It also could purchase power from federal dams and sell energy to new and expanding industries and public and private utilities.

Tennessee

Relocation Law Challenged

A CASE challenging the constitutionality of a Tennessee law requiring the state to pay for moving utility facilities on interstate highways was taken under consideration early this month in Nashville by Chancellor Ned Lentz after hearing arguments.

Attorneys for the state argued that the law would give utilities "two free rides at the expense of taxpayers." Southern Bell Telephone & Telegraph Company was named as defendant in the suit, which was filed by State Highway Commissioner William Leech. Assistant State Attorney General James M. Glasgow said the utilities now are on rights of way belonging to the state at the state's permission.

Attorney for the Memphis Street Railway said that whether the law was upheld was a matter of "life or death" with that firm. He said planned expressways would cost the company about $828,999 if it had to pay for moving its facilities. He added that this would bankrupt the company.

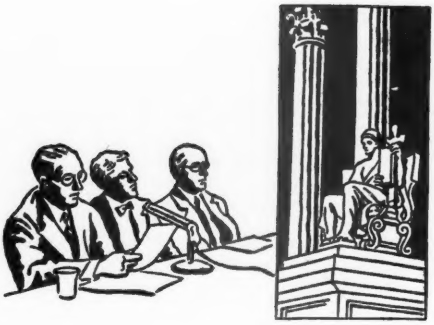
Virginia

House Group Acts to Halt Tax Plan

A 58-MEMBER majority of the Virginia house of delegates moved recently to halt the state corporation commission's proposed new method of assessing public utilities for local taxation. They introduced an emergency bill directing the commission to continue its old system of assessing utility properties in all localities at 40 per cent of market value, instead of switching to the assessment ratios used by the local governments.

The commission's plan, announced last year, threatened most counties with large losses in local tax revenues because their own assessment ratios generally run far below 40 per cent.

Delegate H. H. Purcell of Louisa was chief patron of the bill to stop the commission from changing its utility assessment system. Purcell also introduced a joint resolution calling for a study by the Virginia Advisory Legislative Council of the utility assessment problem. An alternative to the Purcell bill was a resolution by Delegate John Warren Cooke which would simply declare the sense of the assembly to be that the old 40 per cent method should be continued. This would be persuasive rather than mandatory, it was said.



Progress of Regulation

Trends and Topics

Atomic Power Development Expense

DEVELOPMENT of nuclear power as a means of electric generation will result in regulated utilities spending large amounts for research and development. At the outset the energy will be costly, much more so than power now available. The accounting and rate treatment accorded by regulatory authorities will be significant. The Committee on Nuclear Energy in the Electric Industry, in its report to the National Association of Railroad and Utilities Commissioners in 1957, set forth its tentative conclusions on some of the accounting and related problems.

The committee recommended that high-cost energy from nuclear power plants should be provided for in operating expenses the same as for any other source of energy. As an alternative this extra cost could be considered as a part of the expenses of research and experimentation—subject, of course, to just and reasonable provisions of applicable statutes. There was said to be a wide divergence of opinion as to the average service life of nuclear power plants. The answer to the question of depreciation and obsolescence would have to await the results of several years of operation of the different types of reactors. The committee said that regulatory commissions will face a grave responsibility with respect to the economic impact of peacetime conversion to nuclear power. It might be necessary to increase the annual accruals for depreciation of existing facilities and equipment that might be made obsolete by the coming of nuclear reactors.

Charges to Operating Expenses

The California commission, in its recent decision on the application of the Pacific Gas and Electric Company for authority to increase rates, allowed the company to include in operating expenses amounts charged to Account 801, Miscellaneous General Expense, covering the expenses associated with the development of nuclear power. The propriety of charging such amounts to operating expenses, said the commission, was not questioned in this proceed-

ing, nor was the commission raising any such question. To the contrary, the full support of the California Farm Bureau Federation was behind the company in nuclear power development and the commission found the efforts of the company, and the expenses of such development, "to be in the public interest."

Research and development, continuing studies on new and different reactor technologies, training of personnel, and construction of both pilot and succeeding permanent plants and associated activities, said the commission, would play an important rôle in enabling the company to provide efficient and adequate electric service. Generation of electric power by the use of nuclear power might well provide the means by which future electric service would be of even greater benefit to the state than the modes of operation now employed (21 PUR3d 48, 58).

These expressions of opinion followed the earlier action of the commission in authorizing Pacific Gas and Electric Company to construct, operate, and maintain a nuclear steam-electric generating and transmission project. The commission found that such a project was in the public interest, but it did not at that time go into the question of accounting and allowances as operating expense (18 PUR3d 102).

Payments to Nonprofit Corporation

The Michigan commission prescribed accounting methods for Consumers Power Company upon petition for directions as to the accounting treatment of expenses incurred in the design, construction, and operation of a developmental atomic power reactor. The company was authorized to charge to Account 801, Miscellaneous General Expenses, payments made to Power Reactor Development Company, a nonprofit corporation engaged in the development, construction, and operation of a developmental atomic power reactor pursuant to an atomic energy program. The commission found that the company had the responsibility to engage in research and development work directed to the attainment of the commercially competitive use of nuclear materials in connection with the generation of electric energy. Participation in programs to accomplish such research and developmental work was said to be desirable and in the public interest (15 PUR3d 471).

J. K. Busby, executive vice president of the Pennsylvania Power & Light Company, in his report on recent developments in the field of atomic energy, before the Public Utility Section of the American Bar Association, noted that action approving such accounting treatment had been taken by Illinois, Michigan, New York, Virginia, Wisconsin, and District of Columbia commissions. He said it seemed clear that, consistent with the accounting orders already issued, regulatory authority should, upon a proper showing, approve nuclear research costs as allowable expenses for rate-making purposes (PUBLIC UTILITIES FORTNIGHTLY, September 26, 1957, page 513).

Review of Current Cases

Attrition Provided for in Telephone Rate Case

THE Virginia commission, in authorizing increased rates for a Bell Telephone subsidiary, which rates would produce a return of 6.38 per cent on the original cost rate base, gave consideration to the factor of attrition, allowing $466,000 of net earnings as the approximate effect of one year's attrition.

The company had pointed out that the higher cost of new and replacement plant results in a consistent and almost constant decline in the rate of earnings. It had demonstrated this both statistically and graphically. The result, claimed the company, was that it was never able to earn, for a substantial period, the level of return contemplated by the commission, so rate cases followed one after another. The commission agreed, saying that the intervener's contention that attrition was offset by the commission's use of the end-of-period rate base was untenable, in that it did not provide fully for attrition factors.

The commission quoted a portion of the Vepco case (8 PUR3d 120) with approval. In fixing rates for the future, the use of the end-of-period rate base provides for revenue which is directly related to plant investment made and being made in a period of abnormal expansion and rising costs.

Rate Base

Rejecting evidence of reproduction cost new less depreciation, the commission arrived at a rate base which included plant investment on an original cost basis, plus materials and supplies and cash working capital, less accumulated depreciation reserve. Consideration was given to the company's proposal to eliminate certain toll charges for shorter distances and provide toll-free calling, or extended area service, between certain exchanges. The introduction of such wider range calling would require an additional investment, which the commission took into account.

Dissenting Opinion

Commissioner Catterall, dissenting, made pertinent comments on the majority's action. To him, the rate base was immaterial. It made no difference whether original cost or reproduction cost was used, he said. Since the telephone company had a territorial monopoly, the demand for service was so great that it would be able to sell at whatever price fixed. It was expanding rapidly and the welfare of the state demanded that it keep on expanding.

The question was simply how much revenue would enable the company to attract new capital. The answer could only be stated in the form of a number of dollars, and, being purely a question of fact, was the same whether reproduction cost or original cost was used.

The commissioner felt that if the rates allowed in past cases had failed to yield the predicted rate of return, it had been caused more by wage increases than by attrition. He recognized, however, that attrition was a factor, but maintained that the use of year-end figures in recent rate cases offset the attrition effects.

There is no logical or scientific reason for using year-end amount of investment instead of average for the test period, said the dissenting commissioner. Expenses and earnings are necessarily related to the plant in use from day to day during the test period when the expenses are incurred and the earnings are received. When, as in

this case, a company is growing rapidly, the investment at the end of the test period will necessarily be much higher than the average investment during the period. By allowing a return on the year-end figures, he said, the commission allowed a return on a larger plant than was actually in service during the test period. *Re Chesapeake & P. Teleph. Co. Case No. 13591, December 23, 1957.*

Missouri Takes Leave of Strict Original Cost

IN a unanimous decision, the Missouri supreme court ruled that the commission must consider fair value in fixing just and reasonable rates. The court reversed a lower court decision sustaining a commission order which restricted the rate base of the Missouri Water Company to original cost less depreciation. The commission had refused to consider reproduction cost evidence and granted only about two-thirds of the additional revenue requested.

A rate of return of 6¼ per cent was allowed.

Reproduction cost less depreciation, as calculated by the company's witness, amounted to approximately $6,324,000. The original cost rate base allowed by the commission was substantially less than one-half of this sum.

Statutes Comprehend Fair Value

Missouri statutes provide that the commission in determining rates for water, gas, and electricity may consider "all facts which in its judgment have any bearing upon a proper determination of the question . . . with due regard among other things, to a reasonable average return upon *capital actually expended*. . . ." (Emphasis added.) It is further provided that the commission shall have power to ascertain property value and "every fact which in its judgment may or does have any bearing on such value."

The commission interpreted the emphasized words as original cost and went on to point out the certainty and ease with which this measure of value can be determined. It noted that other methods such as reproduction cost "are so speculative, cumbersome, and conducive to delay as to be completely impracticable." The commission thought it wiser to meet the objectives of a rate case by adjusting the rate of return and holding the rate base to actual investment.

"Due regard" to one factor "among other things," as the statute provides, said the court, is not preclusive of other relevant factors. The language clearly denotes that proper determination of rates is to be based on all relevant factors. Fair value is a relevant factor, the court declared.

The Hope Case Evaluated

Among the many decisions which the court reviewed was the Hope decision of 1944 (51 PUR NS 193), which enunciated the end-result principle. Although numerous courts and commissions have treated this case as authority for total abandonment of a rate base predicated upon present value, it clearly is not such authority, the court stated.

Quoting from the Iowa supreme court (20 PUR3d 159), the high court of Missouri noted that the Hope case was decided on facts arising in the year 1939, near the end of a 20-year period of level or declining prices. At that time, original cost and reproduction cost, or any other valuation, would have been essentially present fair value. The writer of the Hope

opinion could not have been expected to predict the erosion of the dollar which later occurred, it was pointed out.

The court observed that the decreased purchasing power of the dollar is a matter of common knowledge which the courts and rate-making agencies must consider as justice requires. While fair value admittedly involves vexing problems of proof, said the court, modern bookkeeping methods used in connection with recognized trending percentage tables and price indices applied to original cost can be used to establish both reproduction cost and depreciation with reasonable accuracy. *Missouri ex rel. Missouri Water Co. v. Missouri Pub. Service Commission et al. 46019, December 9, 1957.*

Municipal Motion to Dismiss Corporate Gas Supplier's Injunction Petition Denied

A SEQUEL to the city of Monroe cases discussed in PUBLIC UTILITIES FORTNIGHTLY, January 16, 1958, p. 137, occurred in the United States district court. It will be recalled that the state court, reversing itself on second rehearing, held that the municipality, instead of the state commission, had jurisdiction over the corporate gas supplier's rates. The corporation then applied to the municipality for a rate increase, but the municipal commission refused to give the corporation an opportunity to present evidence in support of its demand and denied the requested rate increase without notice or hearing.

The corporation then sought a temporary injunction in a federal court because of diversity of citizenship and an amount in controversy exceeding $3,000. The United States district court denied the municipality's motions for summary judgment and dismissal.

The Louisiana constitutional prohibition against abridgement of the police power, which includes the power to fix rates, said the court, forbids the permanent fixing of rates by contract and excludes absolutely the existence of the right to enforce, as the result of the obligation of a contract, concededly confiscatory rates for such service. Such action is forbidden, just as much as is permanent fixing, by such means, of exorbitant rates to consumers.

The corporation's only administrative remedy to seek a change in the rates was by petition to the city of Monroe, which had been denied. When the city, without notice or hearing, refused to grant an opportunity, to the corporation, to present evidence in support of its contention that such a change should be made, and by resolution, in an ordinance officially adopted, practically compelled the rates in the franchise to be continued in effect, the corporation's administrative remedies were exhausted. This was so because the law of Louisiana does not provide for an appeal from, or further administrative review of, the decision of the city commission.

The present action was the corporation's only remedy against the municipality's arbitrary action.

By uncontradicted evidence, the corporation had shown that its property was being confiscated and that it had been denied the equal protection of the laws, contrary to the Fifth and Fourteenth Amendments of the federal Constitution.

The court was not denied jurisdiction because the city's official action constituted an "order," made by a subdivision of the state, which affected, and continues

to affect, rates chargeable by a public utility. The order had been made without notice or hearing to the corporation.

Under such circumstances, federal courts have jurisdiction to exercise equity powers in order to relieve against arbitrary action. The corporation did not have an adequate remedy at law and could be protected from further confiscation only by the issuance of the preliminary injunction. The municipality's motions for summary judgment and dismissal were denied. *United Gas Corp. v. City of Monroe, 154 F Supp 667.*

Commission Rules on Purchased Gas Adjustment Clause And Accelerated Depreciation

In authorizing Western Kentucky Gas Company to increase rates by $643,-563, the Kentucky commission approved a purchased gas adjustment clause setting forth procedures whereby a distributing company might adjust retail rates, up or down, without formal hearings, depending on increases or reductions in wholesale prices.

The commission noted that such adjustment clauses have been approved in nineteen states and the District of Columbia.

Gas from the Southwest is now the company's principal source of supply. Consequently, the filing of a rate case by the supplier before the Federal Power Commission would set off a chain reaction of rate cases in Kentucky. The commission concluded that such an adjustment clause is desirable since rate cases are time consuming, costly to the consumers, and disturbing to the public.

Accelerated Depreciation and Taxes

The company has elected to adopt accelerated depreciation as allowed by federal income tax laws. The commission said that public utility rates, in so far as they are affected by depreciation accounting and associated income taxes, should not fluctuate due to the company's election to use for tax purposes accelerated depreciation rather than straight-line. Therefore it deemed it proper to normalize income taxes. This, in effect, permits the company to include in its operating expenses an additional amount for such costs which it would have paid had it followed the straight-line depreciation method.

It was pointed out that when straight-line depreciation exceeds the depreciation charge under the method elected by the company and the actual tax bill increases, there will be a concurrent normalizing credit to the income accounts.

Amounts for deferred taxes as accumulated and credited to reserve for deferred income taxes arising from accelerated depreciation are available, interest free, to the company for use in the normal operation of its business. These sums are not reflected as credits to the operations of the company until at least half the life of the property with which they are associated has expired. Consequently, the commission ruled, these accruals should be deducted from the rate base until such time as they are returned through credits to operations.

Rate Base

The commission rejected the fair value rate base proposed by the company, holding that amounts claimed were too speculative to have much probative value. As stated in the Southern Bell Telephone & Telegraph case (18 PUR3d 113), the

commission was more impressed and convinced that a rate base consisting of the net investment in the properties adjusted to reflect actualities, which will be in force at least during part of the life of the rates to be fixed, will result in fair and equitable treatment to the company and will not expose regulation to the hazards or uncertainties of speculative guesswork.

Attrition Factor

The commission also recognized that continued construction exerts a depressing effect upon the company's operations. In fact, the average investment per customer at the end of the test year used in this case was about $15.61 per customer higher than at the beginning of the year. On this basis, it was pointed out that rates to provide a stated return on the test year end would not provide a full return upon the per customer cost to be included during the year 1958. Under these circumstances, the commission deemed it necessary that an addition to the year-end rate base be made to make the new rates sound, when they are made effective and for at least a reasonable period into the future.

The commission found that a rate of return of 6.73 per cent was both necessary and adequate, in view of the recent rise in the cost of capital. *Re Western Kentucky Gas Co. Case No. 3267, October 24, 1957.*

Emergency Alarm Telephone Service Held Regulable

WHILE the commission might not have authority to require a telephone company to furnish telephone systems for voice reporting of emergencies, said the New York commission, such service, if undertaken by a telephone company, becomes subject to commission jurisdiction and is a proper subject of a tariff filing. The commission dismissed a complaint by manufacturing companies and other parties against the filing of a tariff by New York Telephone Company covering telephone alarm systems furnished to municipalities.

New York Telephone has made a number of installations for municipalities, the largest of which is in Syracuse. Prior to the tariff filing, such installations were made under contract and most of them are presently served under contract.

The Syracuse system consists of a central switchboard furnished by the company and operated by the city. Outdoor call boxes are connected to the board. The panel is connected with the general system of the company and with tie lines to the city police department and other officials. The system contains two features not found in the ordinary telephone system. First, even if the call-box instrument is returned to the hook, the signal on the switchboard continues. Secondly, interruption on any line is automatically recorded on the board. Both the company tariff and the city of Syracuse restrict the use of the system to emergency calls, though it is physically possible to use it for general purposes.

Traditional Nonregulation of Alarms

Manufacturing companies and trade associations protesting the tariff filing took the position that traditionally the furnishing of emergency alarm systems has not been subject to regulation and that New York Telephone's filing will create a dangerous precedent with respect to their future activities. The commission readily agreed that fire alarm systems as such have never been the subject of regulation but questioned the proposition that the filing would create a contrary precedent.

Under New York law, a company manufacturing and selling warning systems to municipalities is not a utility subject to regulation. The protestants therefore could not be adversely affected in their businesses by any ruling on the tariff filing.

Both parties called attention to the connection between emergency reporting systems as such and the company's general system. The commission thought the crucial question was whether or not the service was telephonic communication in the ordinary sense of the term. Did the restricted use take the service out of the general category of telephonic communication? The tariff offering containing the use restriction was controlling, the commission indicated, and the service was a proper subject of a tariff filing.

The commission noted that the mere fact that the telephone company is subject to regulation with respect to its alarm system service does not imply that the activities of a municipality owning its own system would in any way be subject to regulation. It also observed that there appeared to be no good reason why the tariff offering should be restricted solely to cities and villages, though good reason existed for permitting service to be given all governmental agencies on the same basis.

Violation of Consent Decree Urged

It was suggested that the service rendered under the tariff filing is in violation of the consent decree in the antitrust proceeding against the Bell system. Without attempting to interpret the decree, the commission merely determined that in the absence of a decision that the service is illegal under federal law, it must be held subject to regulation under New York law.

Some parties also suggested that this filing by New York Telephone Company may be an opening wedge which will permit the company to entef fields foreign to traditional telephone business. The commission observed that it was not passing on any supposititious future cases but confined its decision solely to the tariff filing and the particular facts in the case. *Gamewell Co. v. New York Teleph. Co. Case 18397, December 2, 1957.*

State Court Lacks Power to Grant Reparations on Sales Of Local Gas Commingled with Interstate Gas

THE Mississippi supreme court ruled that a state court had no jurisdiction to entertain a common-law action to recover on excessive and discriminatory charges made by an interstate pipeline company for local gas, even though sold within the state, where it was commingled with interstate gas. The court rejected a contention that the matter of reparations was a field left open by Congress when it failed to give the Federal Power Commission authority to award reparations for past charges.

The federal commission had earlier determined that the charges in question were discriminatory and ordered them reduced. It ruled, however, that it had no power to award reparations.

In the instant proceeding, the purchaser contended that the local gas could be separated from the interstate gas for the purposes of an action for reparations. The deliveries involved in this action were restricted largely, but not entirely, to locally produced gas sold in Mississippi. A quantity of interstate gas was normally in-

cluded in the purchaser's supply, and interstate gas was always at hand to be automatically cut in to maintain an adequate supply. The pipeline employed to convey this gas was an integral part of the seller's interstate system, all of which was duly certificated by the federal commission. The gas was sold at rates filed with the commission.

The problem, said the court, is whether it is competent for the courts to determine what the reasonable rates should have been during the period prior to the commission's order requiring a rate reduction. The Natural Gas Act precludes state jurisdiction over such rates. The court concluded that all of the gas sold to the purchaser, both local and interstate, was in interstate commerce and subject to the exclusive jurisdiction of the Federal Power Commission. The local component lost its intrastate character, said the court, and there remained no power in the courts to apply the common law of the state. *United Gas Pipe Line Co. v. Willmut Gas & Oil Co. 97 So2d 530.*

Damage Claim for Railroad Abandonment

THE United States district court held that abandonment of railroad service in violation of § 1(18) of the Interstate Commerce Act did not give shippers a right to an action for damages under the pre-existing § 8 of Chap 1. Section 1(18) requires commission approval for abandonment of a line. The pre-existing § 8 provided that carriers should be liable for damages sustained.

Section 1(18), commented the court, was accompanied by special enforcement provisions for court injunctions and criminal penalties (§ 1(20)). The shippers' action, brought to collect damages from the time of the abandonment until a subsequent date when commission permission had been obtained, was dismissed. *S. H. & W. Lumber Co. v. California & O. Coast R. Co. 154 F Supp 152.*

High Debt Ratio Brings Restriction on Dividends

MOSINEE TELEPHONE COMPANY won the Wisconsin commission's approval of proposed rate increases following the company's conversion to dial service. The new rates will produce a rate of return of 5 per cent on a net book value rate base.

The dial conversion was accomplished with funds borrowed from the Rural Electrification Administration. The amount borrowed represented nearly 90 per cent of total capitalization. Under the new capitalization, the approved 5 per cent rate of return on the rate base will afford a 28 per cent return on ownership equity, as compared with an average of 9.38 per cent experienced during the five years before this heavy debt financing. Opposing parties suggested reducing the 5 per cent rate of return to about 3 per cent.

Recognizing the justness of the higher rate of return, the commission decided to allow it, though not unconditionally. The company will not be permitted to pay cash dividends of more than 6 per cent annually on the par value of common stock outstanding at the time of the order in this proceeding. This restriction will remain in effect until the ratio of common stock equity to total capitalization is increased to 40 per cent. *Re Mosinee Teleph. Co. 2-U-4837, November 29, 1957.*

Electric Rates Reduced for Reclassified Cities

After an investigation into the rates charged by Northern States Power Company, the Wisconsin commission ordered a reduction in residential rates in the two largest urban areas served by the company. Each of these areas had about 50,000 population, while the other municipalities in the company's territory were much less populous and had correspondingly fewer customers. The commission thought the large urban areas should be separately classified for rate-making purposes, recognizing the economy of service in these more densely populated areas.

Cost of Capital and Rate of Return

The residential rate reduction ordered would decrease the company's revenues somewhat, reducing the rate of return from 6.13 per cent to 5.96 per cent, which latter return the commission found to be reasonable. Of a total capitalization of $63 million, the company's bonded debt amounted to about $27 million. A witness for the company presented evidence tending to show that a return of 6.4 per cent should be allowed.

The commission rejected his reasoning, which overemphasized past earnings and dividend rate. The mere fact that a utility has enjoyed high earnings in the past and established a high dividend rate does not provide a firm basis for determining a reasonable cost of capital or a reasonable rate of return for the future, said the commission.

A relatively low capital cost, as estimated by witnesses for a complaining municipality and the commission staff, was due, in part, to the unusually low cost of debt capital outstanding at the end of 1956, the test year. They suggested fair rates of return of 5.63 and 5.75 per cent. The commission fixed a reasonable rate at 5.96 per cent.

Power Interchange Rates

It was objected that Northern States Power Company of Wisconsin was paying $2 per month per kilowatt to its parent company, Northern States Power Company of Minnesota, for firm capacity while at the same time its St. Croix division, which was physically unconnected with the rest of the system, sold peaking capacity to the Minnesota company for only one dollar per month. By purchasing energy from the Minnesota company during off-peak hours, the Wisconsin company could store water to be released in its hydroelectric plant during on-peak hours, thus adding to its peaking capacity. On the basis of alternative costs of equivalent steam and hydro capacity, the commission thought the $2 rate for firm capacity was not excessive.

The firm power capabilities of the St. Croix dam, even if physical connection existed, could not meet the firm power deficiency of the balance of the Wisconsin system. The peaking capacity of the St. Croix facilities is severely limited during the low-water period. Under all the circumstances, the commission determined that the one dollar rate per kilowatt of peaking capacity was not unreasonably low. *Re Northern States Power Co. 2-U-4731, December 6, 1957.*

Parity of Rail Rates for Eastern Ports Upheld

The United States Supreme Court upheld an order of the Interstate Commerce Commission which approved parity of railroad rates on imported iron ore

shipped from New York, Philadelphia, and Baltimore to a steel-producing area in Pennsylvania, Ohio, and West Virginia, known as a "differential area."

The lower court held that the commission's approval of parity between New York and Baltimore was without basis in the record and ordered that portion of the order vacated. The court further held that the commission's approval of parity between Philadelphia and Baltimore was not supported by findings as to ocean freight costs and anticipated traffic. It remanded that portion of the order for more explicit findings.

The Supreme Court ruled that the commission was not precluded from finding an interrelationship among tariffs established between these port cities and the differential territory. The commission was justified in entering such an order with respect to all three ports as it found to be required by their interrelationship. So much of the lower court's judgment as did not affirm the commission's action was vacated. Two justices, however, including the chief justice, indicated that they would affirm the judgment of the lower court. *Interstate Commerce Commission et al. v. Baltimore & O. R. Co. et al. 2 L ed 2d 183.*

Denial of Extraterritorial Taxicab Authority Held Nondiscriminatory

THE Maryland court of appeals refused to overturn a commission decision denying to taxicab operators licensed in Baltimore county permission to pick up passengers in Baltimore city on return trips. Evidence indicated that this practice would result in an indirect increase in the number of city taxicabs in excess of the number determined by the commission to be required in the public interest. It would also present a difficult supervisory problem.

The county operators urged that the commission action was discriminatory, pointing out that city operators were permitted to pick up return-trip fares in the county. They asserted that they were being denied equal protection of the laws.

While the court recognized that this situation involved discrimination in the popular sense of the word, it ruled that there was no discrimination in the constitutional sense. Discrimination is not invalid if it is not arbitrary, said the court, and it is not arbitrary if it is based on a reasonable classification. Reasonableness of classification may rest on a territorial basis, particularly where the affected territory has a large concentration of people.

The streets belong to the public and their use for private gain may be legislatively limited. The right to operate a taxicab, it was noted, is a mere permissive privilege and not a vested or natural right. The measure of reasonableness in such a case is broader than it would be in cases where rights of liberty or property are concerned, the court indicated. *Barton et al. v. Maryland Pub. Service Commission, 135 A2d 442.*

Hypothetical Income Tax Expense Denied Municipal Plant

THE Colorado commission, investigating a rate complaint against a municipal electric plant, refused to allow an amount of $10,000 as an expense in lieu of

taxes. The evidence showed that the town did not pay income taxes, either federal or state, nor did it pay ad valorem taxes.

The commission noted that there was no evidence upon which to base a calculation of what amount should properly be allowed in lieu of property taxes, if any amount were allowed. No authority had been cited for such an allowance, and the commission knew of no authority to treat this hypothetical expense, not actually incurred, as though it were an actual expense. Commission judgment could be employed in allocating or in determining a legitimate expense, but no power existed to apply a judgment factor to a nonexistent expense.

Capitalization of Overheads

The commission reacted in the same way to the company's proposal to capitalize overheads. Presumably, said the commission, such expenses, if they were incurred at all, had been treated and paid as current expenses, not as capital items. It would be unfair to permit capitalization.

Miscellaneous Considerations

The municipality was authorized to amortize legal and engineering expense over a 5-year period, since the items represented nonrecurring items. An adjustment in plant accounts was made to include the value of land used for utility purposes. An allowance for materials and supplies and cash working capital was included.

On the rate base as adjusted by the commission, the company was presently earning a return of 23.1 per cent, which the commission considered excessive. A downward revision was ordered. *Phillips et al. v. Town of Fountain, Case No. 5118, Decision No. 48945, October 25, 1957.*

Certificate Revocation Sustained upon Holder's Violation of Statutes and Commission Rules

VIOLATIONS by a motor common carrier of commission rules restricting transportable commodities and requiring reports, along with violations of statutes relating to registration and licensing, warranted the revocation of the carrier's certificate, the Georgia supreme court ruled. Reversing a lower court judgment, the state high court upheld a revocation order issued by the commission.

The commission has authority to adopt rules and regulations, within the scope of the legislative enactment, as a means of enforcing the motor carrier statute of the state, the court pointed out, and such rules have the force and effect of statute.

The carrier complained in the lower court that the hearing before the commission had been broadened to include charges not stated in the notice to show cause. The supreme court was unimpressed. The carrier had made no objection to the admission of evidence in proof of new charges, nor did it request a continuance in order to prepare a defense to the new charges. It participated in the hearing and introduced much evidence of its own. The certificate holder therefore could not be heard to complain of this aspect of the hearing.

The court observed that neither it nor the lower court had a right to substitute its judgment for that of the commission with respect to the revocation order since it was not arbitrary but was based on proper findings of fact. *Georgia Pub. Service Commission v. Jones Transportation, Inc. et al. 100 SE2d 183.*

Little Inch Pipeline Reconversion to Gas Cleared

A Federal Power Commission presiding examiner has filed a decision, subject to commission review, authorizing Texas Eastern Transmission Corporation, of Shreveport, Louisiana, to retire a portion of its "Little Inch" pipeline from natural gas service, subject to certain conditions proposed by intervening barge operators.

The decision, by Presiding Examiner William J. Costello, sets forth conditions, which had been agreed to by Texas Eastern, designed as safeguards against the company's operation of the converted natural gas facilities for the transportation of petroleum products in a manner which would conflict with the Interstate Commerce Act or the national transportation policy.

The conditions were proposed by the intervening barge operators at FPC hearings held December 23rd before Examiner Costello. The commission authorized the retirement of the Little Inch facilities and the construction of substitute facilities in an opinion issued last June 21st, but the case was remanded by the U. S. court of appeals for the District of Columbia circuit by an opinion of November 1st, on appeal by the barge operators.

The primary issue posed to the court was whether the FPC's June 21st order was invalid because the authority granted by it was not first passed upon in an intermediate decision by Examiner Costello, who presided at earlier hearings on the abandonment of the Little Inch line. The court held that the abandonment application was not a request for an initial license and did not become such an application by being consolidated for hearing with an application for new facilities—which was clearly an application for initial license. Accordingly, the court returned the commission's June 21st order for further proceedings not inconsistent with its opinion.

At the hearings held December 23rd, however, the barge operators stated that if their proposed conditions were included in the authorization granted to Texas Eastern, they would not contest the matter further before the FPC or the courts. Presiding Examiner Costello said that announcement of this accord by the barge operators and Texas Eastern "paves the way for rehabilitation of the authorization heretofore granted by the commission, and also makes unnecessary further detailed study and analysis of the voluminous record and the comprehensive briefs." He pointed out that his decision was therefore "in the nature of a report of settlement and thus is atypical of examiner's decisions."

The conditions provide (1) that Texas Eastern shall not include in its natural gas costs any of its accounts for investment, operating costs, or revenues from its oil operations, and that any losses suffered in the oil business may not be charged against gas operations; (2) that no new laterals connecting the Little Inch line with river ports may be built within the next five years without Interstate Commerce Commission approval; and (3) that Texas Eastern will operate the Little Inch as a common carrier at "reasonable and nondiscriminatory" rates under ICC jurisdiction based upon a valuation of $110 million for the line. *Re Texas Eastern Transmission Corp. FPC Docket Nos. G-2503 et al. January 9, 1958.*

Other Recent Rulings

Permission to Sue. The Kentucky court of appeals held that an action to compel a trustee in bankruptcy to furnish gas to the owners of realty could not be maintained in a state court without permission of the federal bankruptcy court where the federal court had granted the trustee an injunction restraining any creditors or others from instituting an action against the company without first obtaining permission of the bankruptcy court. *Price et al. v. Williamson, Trustee, 305 SW2d 276.*

Supporting Witnesses. The Federal Power Commission indicated that a question more of weight of evidence than of admissibility was raised by a motion to strike an exhibit, offered in a certificate proceeding, setting forth a natural gas company's market requirements, where it was objected that the customer-companies which supplied the market information did not appear as witnesses. *Re American Louisiana Pipe Line Co. et al. Docket Nos. G-2306 et al. November 14, 1957.*

Proof of Feasibility. The Federal Power Commission pointed out, in a natural gas certificate proceeding, that interveners who demand service in a lateral area which the applicant does not intend to serve have the burden of proving affirmatively the feasibility of such lateral service. *Re American Louisiana Pipe Line Co. et al. Docket Nos. G-2306 et al. November 21, 1957.*

Failure to Obtain Approval. The Washington supreme court held that failure to submit an agreement between a gas company and an affiliated interest to the commission for approval, as required by statute, did not preclude enforcement of the agreement to pay for legal services rendered thereunder. *Graves et al. v. Cascade Nat. Gas Corp. 316 P2d 1096.*

ICC Motor Carrier Certificate. The United States district court refused to set aside an Interstate Commerce Commission order granting a certificate to operate as a motor common carrier of general commodities where the evidence showed that the applicant would furnish a more efficient service at a lower cost and of a type not presently offered to shippers. *Railway Express Agency v. United States, 153 F Supp 738.*

Noncompensatory Rail Rates. In sustaining a ruling of the Interstate Commerce Commission against proposed rail rates which were not compensatory, a federal district court indicated that it is within the power of the commission to reject rates solely on the ground that they are not compensatory. *Boston & Maine Railroad v. United States, 153 F Supp 952.*

Temporary Restraining Order. The United States district court commented that a temporary restraining order against the enforcement of a governmental agency order is a drastic remedy that will not be granted except upon a strong showing of necessity and desirability. *Stott et al. v. United States et al. 154 F Supp 389.*

Railroad Not "Short-hauled." The United States district court held that a railroad had not been "short-hauled" where sufficient public interest had been shown to warrant the Interstate Commerce Commission's affirmative action in directing the railroad to restore a certain city to reciprocal switching limits of a nearby city, historically both cities had

been treated in all tariffs identically until the railroad's action, and the commission was not establishing a through route and joint rate under the statute. *Southern R. Co. et al. v. United States et al. 154 F Supp 562.*

Estimated Weights Proper. The United States district court held that the use of estimated weights of shipments of a perishable commodity, like lettuce, is a proper practice for determining freight charges where the volume of traffic on the day of shipment is so large as to make it impossible to weigh each separate package without delay in shipment. *Railway Express Agency, Inc. v. Holt et al. 154 F Supp 644.*

Merger under Federal Control. Section 5(2) of the Interstate Commerce Act empowering the commission to authorize the merger of two or more railroads without regard to state laws, except that a state law could govern the size of the stockholder vote required for approval of a merger, is constitutional, according to the United States district court, since development and maintenance of an economical and efficient railroad system is a matter of primary national concern. *City of Nashville v. United States et al. 155 F Supp 98.*

Telephone Rate of Return. On a showing of increased costs and an operating deficit, the Wisconsin commission authorized a small telephone company to increase rates sufficiently to provide a rate of return of 6.1 per cent on a net book value rate base. *Re Prairie Farm, R. & D. Teleph. Co. 2-U-4863, November 1, 1957.*

Telephone Return Increased. The Wisconsin commission held that a rate of return of 5.77 per cent on a net investment rate base was inadequate for a telephone company and authorized rates sufficient to afford a rate of return of 6.51 per cent. *Re Rhinelander Teleph. Co. 2-U-4884, December 3, 1957.*

Return for Municipal Water Plant. In authorizing increased rates for a municipal water plant, the Wisconsin commission allowed a return of 5.5 per cent on a net book value rate base. *Re City of West Allis, 2-U-4857, November 11, 1957.*

Gradual Water Rate Increase. The California commission granted a water company a rate increase in three stages over a period of two years where it appeared that the company was entitled to the requested increase, no increase had been applied for or authorized since 1922, and the economy of the area had adjusted itself to present rates. *Re Pacific Gas & E. Co. Decision No. 54818, Application No. 36646, April 9, 1957.*

Interim Railroad Rate Increases. The California commission denied applications for interim increases in rail rates where the effect upon carriers' revenues of prior interim increases had not been accurately shown and where the record did not disclose that continued operations at the present rates would seriously impair the maintenance of adequate service. *Re California Trucking Associations, Inc. Decision 54636, Case No. 5432, March 12, 1957.*

Contract to Sell Utility. In an action to dissolve a partnership which operated a bus line, a California court of appeals pointed out that a proposal to the commission for the transfer or sale of a public utility may be in the form of an executory agreement, valid as between the parties, though an actual transfer or sale of utility

assets would be void until approved by the commission. *Dillingham v. Schipp, 316 P2d 1014.*

Construction Work in Progress. The California commission allowed construction work in progress to be included in a water company's rate base, but said that the company's proposal to introduce interest during construction as a write-up of plant, while at the same time claiming the full amount of construction work in progress in the rate base, appeared an improper duplication. *Re Western Water Co. Decision No. 55706, Application No. 37826, Case No. 5942, October 15, 1957.*

Prima Facie Case. The Colorado commission held that a private carrier, to establish a prima facie case to support an application for a permit, must show not only that the service is needed and desirable and will not impair the ability of the common carriers to serve but that it is of a specialized nature not ordinarily offered by a common carrier. *Re Labertew, Application No. 15768-PP, Decision No. 48938, October 25, 1957.*

Temporary Bus Certificate. The Colorado commission granted a temporary certificate to operate a passenger bus service in a small town for a one-year period, the commission commenting that, although it was concerned for the public benefit, it could not impose the burden of advancing capital, energy, and equipment upon the applicant without giving it an opportunity to more fully determine the feasibility of the operation. *Re Ostrom, Application No. 15755, Decision No. 48980, October 25, 1957.*

Water Rates Increased. Showing substantial increases in operating costs along with sizable plant additions, two water companies obtained the Pennsylvania commission's approval of rate increases of 35 and 45 per cent, with resulting rates of return of 5.26 and 5.18 per cent, respectively, on fair value rate bases. *Borough of Marysville v. Marysville Water Co. Complaint Docket No. 16669, October 28, 1957; Borough of Montrose v. Consumers Water Co. of Montrose, C. 16634, November 12, 1957.*

Rule for Crossing Signals. In refusing to require flashing-light signals with gates at a state trunk highway crossing at grade over a single track main line, the Wisconsin commission also refused to establish a general rule specifying the conditions under which it will ordinarily require such protection, since each crossing must be considered separately in view of its individual characteristics. *Re Wisconsin State Highway Commission, 2-R-3213, November 29, 1957.*

Extended Area Service. To serve a substantial community of interest, the Wisconsin commission authorized a telephone company to establish extended area service, and it also authorized higher rates for this service than for other local exchange service in view of increased costs and added investment which the new service occasioned. *Re Pulaski Merchants & Farmers Teleph. Co. 2-U-4855, December 5, 1957.*

Officer's Salary Reduced. In approving a rate of return of 6 per cent for a small telephone company, the Wisconsin commission disallowed about one-third of the salary of the company's secretary-treasurer, considering the limited requirements of the office and salaries paid by other telephone utilities of comparable size and characteristics. *Re Kaukauna Teleph. Co. 2-U-4879, December 12, 1957.*

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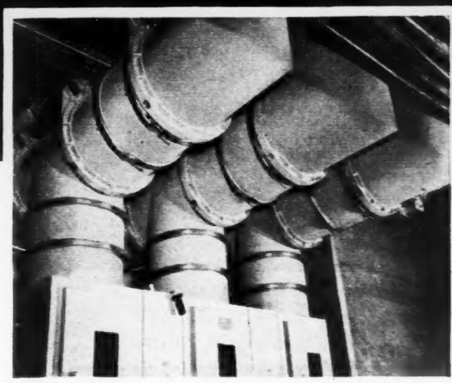

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New advantages for truck owners introduced in all-new Dodge Power Giants for '58

Power, payload, economy and styling features make Dodge 4-way leaders of low-priced 3

Recent introduction of the new '58 Dodge *Power Giants* brings truck owners a series of the most outstanding advances in Dodge truck's 40-year history.

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DODGE *Power Giant*

Industrial Progress

5,000,000 Program Planned y Baltimore Gas & Electric

E Baltimore Gas and Electric pany announces that expansion of omers' demands for electric and service will require it to expend ,000,000 for new construction dur- the year 1958. Of this, approxi- ely $15,000,000 will be spent for electric generating capacity, in- ing associated transmission facili- The bulk of this latter amount is completion of the second generat- unit at the company's Herbert A. gner steam electric generating sta- , which is expected to be ready for ating early in 1959. Its capacity of ,000 kilowatts will increase the pany's steam electric generating city to over 1,000,000 kilowatts.

he 1958 expenditures also include ,000,000 for expansion of and im- ements to the electric distribution lities and approximately $8,000,- for additions and improvements to gas distribution system. Major jects included in these expendi- s are the completion of eight new tric substations, the expansion of n existing substations and the con- ction of approximately 8½ miles 26" gas main to connect the new nor Gate Station line to the eastern ion of the Company's system at its t Point holder. The Company ex- s to add 14,000 additional electric omers and 10,000 additional gas omers to its lines in 1958.

uring the five-year period 1958 to 2 the Company estimates that the wing needs of its customers will ire expenditures by the Company more than $250,000,000 for new structions, an average of better than ,000,000 a year.

etween 1940 and 1950 the popula- of Maryland increased almost e as fast as the national rate of wth. Since 1950 the population in Company's service area has grown 40% faster than the national average. Forecast by the Maryland State Planning Commission through 1970 indicates that this exceptional growth in the territory can be expected to continue.

The great bulk of the five-year construction expenditures—about three-quarters—will be for the expansion of the Company's electric system. About 20 per cent will be for the expansion of the gas system and the balance for miscellaneous facilities including office and shop quarters, vehicles, furniture and fixtures, steam heating facilities, etc.

Ohio Bell Telephone to Spend $85 Million on Expansion in 1958

OHIO Bell Telephone Company plans to spend $85,000,000 for additions to its buildings, lines and equipment in 1958, including an outlay of $28 million for the greater Cleveland area. Walter S. Sparling, president, announced.

In 1957 the company's state-wide expansion and improvement program involved an outlay of $87,000,000.

Mr. Sparling said that in the three-year period beginning with 1958, Ohio Bell expects to spend $250,000,000 on expansion.

M. W. Kellogg Appoints Eight New Assistant Vice Presidents

THE M. W. Kellogg Company, New York, a subsidiary of Pullman Incorporated, announces the appointment of four new assistant sales vice presidents and four new assistant operations vice president.

M. J. Carnesale was appointed assistant vice president of sales for portions of the United States and all of Central and South America. W. T. McCay was appointed assistant vice president of sales for the Mid-Continent and Gulf Coast area. J. A. Petrie was appointed assistant vice president of sales for the Eastern Hemisphere and Canada. J. M. McAneny was appointed assistant vice president of sales of Fabricated Products and of engineering and construction services other than those associated with the Petroleum and Petrochemical industries.

L. J. Kelly was appointed assistant vice president-engineering. H. R. Schuster was appointed assistant vice president-procurement. J. W. Smith was appointed assistant vice president-construction. F. E. Johnson, Jr. was appointed assistant vice president-contract operations.

All men have had long service with The M. W. Kellogg Company.

An Economic View of U. S. in 1970 for Public Utilities Executives at Marketing Association Seminar

THE economic potential of the United States by 1970—a look at the future economy of the country—will be one of the opening discussions at the American Marketing Association's Fourth Annual Public Utilities Seminar, February 13 at the Warwick Hotel in Philadelphia.

Nationally known public utilities executives from all over the country will hear Lyford N. Greene, Supervising Statistician, American Telephone and Telegraph Co., New York, opening speaker, project the effects of increases in population, labor force, and other factors on the market for consumer goods by 1970. Chairman of the Seminar Committee is Dilman M. K. Smith, vice chairman of the Board, Opinion Research Corp., Princeton, N. J.

Charles E. Swanson, president of the Philadelphia Chapter of the AMA, which is co-sponsoring the seminar with the association's Public Utilities Committee, expects a record-breaking

(*Continued on page* 22)

attendance of representatives f electric light and power, railroad public transportation, water, gas communications companies to discussions on the importance marketing research in their fi Theme of the seminar is "Marke Research for Public Utilities—Ob tives and Results."

Membership in the Marketing sociation is not required to attend sessions.

Included in the list of speakers Charles F. Lane, manager sales search, Virginia Electric and Po Co., Richmond, Virginia; Wende Smith, partner, Alderson and sions, Philadelphia, President- American Marketing Associat John Paul Lucas, Jr., vice presid Duke Power Company, Charl North Carolina; Dr. Paul Lyn president, Gallup and Robinson, Princeton, New Jersey and Frank Trembly, director of Sales, Phila phia Gas Works, Division of United Gas Improvement Comp Philadelphia.

Members of various "how to do panels include Joe Belden, Belden sociates, Dallas, Texas; Malcomb Chesney, assistant manager Econo Research Department, The Brook Union Gas Co., Brooklyn; R Cahal, Jr., sales consultant, Eb Services, New York; Edward Bentley, economic analyst, The C cinnati Gas and Electric Co., Cin nati; J. L. Curry, supervising sta tician, American Telephone and T graph Co., New York; Dr. Don Rugg, vice president, Opinion search Corporation, Princeton, N. Daniel Parson, director, Bureau Statistics, American Gas Associat New York; A. D. Herbst, public r tions manager, Research and Stud The Bell Telephone Company Pennsylvania, Philadelphia; James Osgood, marketing research supe sor, Photo Lamp Division, Sylva Electric Products Inc., New York.

Reservations for the Seminar m be made through David M. Og The Bell Telephone Company Pennsylvania, 1835 Arch Street, P adelphia 3, Pa.

Roger Conkling Joins H. Zinder & Associates

THE association of Roger L. Co ling with H. Zinder & Associa Inc., utility consultants and en neers, has been announced by Zinder, president. Mr. Conkling

(Continued on page 24)

been with the Bonneville Power Administration, U. S. Department of Interior since 1945, most recently in the position of Assistant to the Administrator.

Mr. Zinder stated that Mr. Conkling will be based in the firm's Washington, D. C. office and will be engaged in projects relating to electric utilities and resources development, rural electrification systems, and natural gas matters.

In his position as assistant to the administrator at Bonneville, Mr. Conkling served as a major staff advisor and participated in development of policy, in addition to having primary responsibility for staff development and coördination of budget, sales interchanges and wheeling of power, and operation of the system. While in this position, Mr. Conkling also served as management chairman of the Employee-Management Council; chairman of the Incentive Awards Committee and as a member of the Coordinating, Planning and Defense Security Committee.

Mr. Conkling's experience prior to Bonneville includes six years' service with Public Service Company of Northern Illinois. He has instructed courses in Public Utility Management for the Oregon State System of Higher Education and has lecture[d on] Public Utilities at Northwestern [Uni]versity. In 1956 he received the [Ar]thur S. Flemming award of [the] Junior Chamber of Commerce as [one] of the ten outstanding young me[n in] the Federal service.

H. Zinder & Associates is a [con]sulting firm to electric utilities, [nat]ural gas and oil production c[om]panies, gas transmission and distr[ibu]tion companies. In addition to W[ash]ington, D. C., the firm maintains [of]fices in New York, Seattle, Hou[ston] and Dallas.

Delaware Power & Light Pla[ns] $22,000,000 Program

H. H. PLANK, president of D[ela]ware Power & Light Company [an]nounced recently that the board [of] directors had approved a 1958 bu[dget] calling for more than $22,000,000 [in] construction projects throughout [the] Delmarva Peninsula.

The major item in this constr[uc]tion program of the company and [its] two subsidiaries, The Eastern Sh[ore] Public Service Company of Ma[ry]land and Eastern Shore Public Se[rv]ice Company of Virginia, is the c[om]pletion of a second 85,000 kilow[att] generating unit now being added [to] the new Indian river power stat[ion] located between Millsboro and Da[gs]boro in southern Delaware. The f[irst] 85,000 kilowatt unit of this th[e] major power station in the syst[em] was placed in service November 1957.

Other major items in the 1958 c[on]struction program include the ext[en]sion of a 138,000 volt transmissi[on] line from Denton, Maryland to [the] Indian river power station by w[ay] of the Vienna (Maryland) Po[wer] Station and Delmar, Delaware; st[art] of construction work on an additi[on] to the Operations Building at 6[00] West Front Street, Wilmington; a[nd] completion of a new Service Cent[er] which will include Engineering a[nd] Operating offices, storerooms, me[ter] shop and garages at Salisbury, Mar[y]land.

Additional expenditures will a[lso] be made for the normal expansion [of] the system, extending transmissi[on] and distribution lines and mains; co[n]structing new substations; installi[ng] new larger transformers; and a ge[n]eral "firming up" of the system [to] meet the constantly growing needs [of] homes, farms, stores and industr[y] on the Delmarva Peninsula.

Mr. Plank pointed out that the co[...]

(*Continued on page 26*)

struction project estimates for the year are based upon the belief that the Peninsula will continue to be one of the fastest growing areas in the country notwithstanding the fact that growth may be at a somewhat reduced rate compared with other years. Now ranked as the fourth fastest growing state in the nation, Delaware's trend of population increase is expected to continue its upward spiral. New industries coming into the area have brought permanent increases in population, their needs have created demands for new commercial and retail outlets in order to supply the goods and services required. This spiraling growth has set the stage for steadily increasing demands for gas and electric service.

Southern Counties Gas to Spend $22,850,000 in 1958

SECOND largest annual construction budget in its 47-year corporate history has been earmarked for 1958 by Southern Counties Gas Co. The 1958 budget of $22,850,000 was topped only by the $24,406,000 marked for capital improvements in 1957. The company's 1956 budget was $19,724,000.

At the same time President and General Manager Guy W. Wadsworth, Jr. reported the Pacific Lighting Corp. subsidiary expects a net addition of 48,000 customers next year, in an area bounded by Paso Robles, in the north; and San Clemente, in the south.

Mr. Wadsworth said 1958 will be the fourth year in a row Southern Counties has made provision for a net increase of more than 45,000 customers per year. The utility at year-end 1957 was serving more than 640,000 customers.

Almost half of the 1958 construction budget—or more than $11,000,000—has been allocated for equipment to bring gas service to customers not now connected to the company's lines. Altogether the company in 1958 expects to add more than 1,100 miles of pipeline of various sizes to its distribution system, Wadsworth said.

Other major expenditures in the budget are $4,197,000 for additions to the company's transmission system; $4,037,000 for replacement or relocation of older mains and services; and $2,773,000 for new buildings. The last total makes provision for a 13-story headquarters facility announced earlier for start of construction in the first quarter of year in downtown Los Angeles.

The budget, in general, refl rate of growth of areas served the company's eight operating sions.

Dr. Wayne Jens Named Assist Technical Director Atomic Power Development Associates

DR. WAYNE H. JENS, form project engineer for Nuclear Devel ment Corporation of America, W Plains, New York, has been nam assistant technical director for Ato Power Development Associates, in Detroit. The appointment was nounced by Walker L. Cisler, Pr dent of APDA—the nonprofit cor ration concerned with research basic design for the Enrico Fe Atomic Power Plant now under c struction near Monroe, Michigan. Jens will report to Alfred Amor APDA Technical Director.

From 1948 to 1953 Dr. Jens w head of the Engineering Anal Group at Argonne National Labo tory, where he assisted in the devel

of a n… ber of nuclear reactors …ding th… for the atomic subma… Nautilu…. …s proje… engineer for Nuclear …lopmen… Corporation of Amer… …e work…d on an engineering test …or for …he Belgian government …as a con…ultant to APDA, assisted …asic de…gn work on the Fermi …or.

…. Jens … a member of the Amer… Society …f Mechanical Engineers, …a Xi …National Research Soci… and th… American Nuclear Soci… He is a…o the author of a nuclear …or han…book prepared for the …ed Stat…s Atomic Energy Com… …ion an… has written several ar… …s on hea… generation and transfer …national technical publications.

…ew 250-KVA Distribution Transformer Available From Westinghouse

…EW 250-kva pole-mounted dis… …tion transformer is now avail… from the Westinghouse Electric …oration. The new unit extends …gs in the line of distribution …sformers from 167-kva, largest … previously manufactured, and is …ially suited for applications in …ested areas.

…e new transformer weighs ap… …imately 1700 pounds, about 300 …ds heavier than the 167-kva units …well below standard weight limits …pole mounting.

…he electrical performance of the …kva transformer is comparable to …167-kva unit and lower ratings.

…or further information, write …tinghouse Electric Corporation, …. Box 2099, Pittsburgh 30, Pa.

…ecord Program Planned by Central Hudson Gas and Electric

…ECORD construction program …lving expenditures of $22,000,000 …958 was announced recently by …est R. Acker, president of the Cen… Hudson Gas and Electric Corpo… …n. The company's 1958 construc… budget is about $6,000,000 more …the sum spent in 1957, he stated. …ore than $13,000,000 of the 1958 …get will be spent in connection with …w electric generating unit at the …skammer Point steam station …h of Newburgh. This new unit, …h will double the station's electric …rating capability, is now under …truction and is scheduled to go …operation late in 1959. Its total …will be $26,500,000.

"Although the economy of the country generally during the past year has resulted in some slowing up of the rate of growth of our customers' requirements for electric and gas service, our long range forecasts indicate a continuing healthy growth trend in the Central Hudson Valley," Mr. Acker said. "The expanding residential, commercial and industrial activity, which we anticipate, will require bold planning to provide for the predicted demands for increased electric and gas utility services."

Mr. Acker stated that if the growth trend in the region occurs as indicated in company forecasts, the construction program for the five-year period 1958 through 1962 will involve expenditures of approximately $100,000,000. This amount, he noted, would be equal to the company's total outlay for construction over the 16-year period from 1942 through 1957.

The greater part of the $100,000,000 would be required for new electric generating facilities at Danskammer Point. It is planned that, upon completion late next year of the unit now under construction at Danskammer, ground will be broken for a fourth unit equal in capacity to the one now under construction. The fourth unit, scheduled to be in operation in 1963, would raise the electric generating capability at Danskammer to 416,000 kilowatts.

For the year 1958, after allowing for expenditures at Danskammer Point, about $8,250,000 remains for so-called normal expansion and reinforcement of the electric and natural gas systems.

Electrical Manufacturers Line Up With Optimists For 1958

ELECTRICAL manufacturers struck an optimistic note for 1958 by predicting that the electrical manufacturing industry will turn out over $21 billion worth of products, announced Joseph F. Miller, and A. J. Nesti, managing director and chief statistician, respectively, National Electrical Manufacturers Association.

In the midst of considerable skepticism on all sides, with many business economists predicting a general tapering off in the volume of business for next year, the consensus expressed by executives in the electrical manufacturing industry is that the dollar volume of output will be 1 per cent higher in 1958 as compared with 1957. This will mark the third consecutive year in which the dollar value of output of the industry exceeds the $20 billion level. The NEMA spokesmen pointed out that in 1956 the value of shipments totalled $20,574,000,000; while in 1957 the dollar value of output reached $20,883,000,000.

The NEMA release of detailed figures for each branch of the electrical manufacturing industry indicates that manufacturers of appliances expect to recover most of the ground lost in 1957 with a 6 per cent increase in billings next year. Manufacturers of illuminating equipment expect that their rising trend in dollar value of shipments will continue uninterrupted with an increase in dollar sales of 6 per cent in 1958 over 1957, on top of the 5 per cent increase experienced in 1957 over 1956 sales. Small increases in the value of shipments are expected in electric building equipment and supplies and in generation, transmission and distribution equipment; while insulating materials and insulated wire and cable expect to stay about even. Manufacturers of signalling and communication equipment expect their dollar volume in 1958 to be 5 per cent less than in 1957 which, in itself, represented almost a 10 per cent increase over the previous year of 1956. Similarly, manufacturers of electric industrial apparatus expect their dollar sales volume to decrease about 3 per cent in 1958 following a 5 per cent increase in 1957 over 1956.

Transportation Economists Open New Wash. D. C. Office

WILLIAM B. Saunders and Robert L. Banks announce their association in the firm of Saunders, Banks and Company, research consultants on modern transportation. Both Mr. Saunders and Mr. Banks, as individual consultants, have been retained by shippers, railroads, truck lines, air lines and communities to do research on freight and passenger operations, including traffic and cost studies as well as general economic surveys. The new firm will broaden its field and will make extensive use of electronic computers in solving management problems.

Mr. Saunders' affiliations include the Harvard Club of Washington and the National Press Club. Mr. Banks is an alumnus of Columbia University, a certificated member of the American Society of Traffic and Transportation and is on the faculty of the School of Transportation of Southeastern University. The firm will be located at 844 Pennsylvania Building, Washington 4, D. C.

Public Service Elec & Gas Plans $160,000,000 Program in 1958

IN the last five years, Public Service Electric and Gas Company (Newark, N. J.) made expenditures of over $500,000,000 for electric and gas additions and improvements to plant, Donald C. Luce, president, reports.

Because of the continuing growth in demands for electric and gas services, Mr. Luce says, the company's construction program contemplates expenditures for additions and improvements in 1958 of approximately $160,000,000. This will be an all-time record of construction expenditures for the company, and will exceed by about $30,000,000 the record expenditures in 1957, which approximated $130,000,000. He notes that 1958 will be the third consecutive year in which expenditures for construction will be in excess of $100,000,000.

During 1957, the company placed in operation 450,000 kilowatts of capacity at the new Linden generating station, the first 225,000 kilowatt unit in May and the second 225,000 kilowatt unit in the latter part of December 1957. A unique feature of the Linden generating station is the supplying of steam to the Bayway refinery of Esso Standard Oil Company which adjoins the Linden station. Esso furnishes fuel oil and water in return for steam, thereby effecting substantial economies in power generation. Largely because of these features, it is expected that the station will operate at an economy which will be over 10 per cent better than that of any large steam generating station now in service or under construction in the United States, including those with supercritical and high-temperature units.

Two additional major electric generating stations are under construction, the Bergen generating station at Ridgefield, N. J., and the Mercer generating station on the Delaware river near Trenton, N. J. The total capacity of the Bergen station will be 580,000 kilowatts, and initial operation is planned for the early part of 1959. At the Mercer station, the first installation will be a generating unit of 320,000 kilowatt capacity, which is scheduled for operation in 1960; and on installation of a contemplated second 320,000 kilowatt unit, the station will have a capacity of 640,000 kilowatts. Upon completion of the Bergen generating station and both units at the Mercer generating station, the installed electric generating capacity of Public Service will be 3,692,300 kilowatts, or 75 per cent greater than the generating capacity on January 1, 1957.

During 1958, the company's expansion plans contemplate the installation of 24,000 electric meters, 3,000 miles of wires, 7,000 distribution transformers, 8,000 street lights, and 11,000 poles.

More than 28,000 gas heating customers were added during 1957, Mr. Luce notes, bringing the total number of gas heating installations to approximately 220,000. The increasing use of gas for heating is the major factor requiring that additions and improvements be made to the company's gas properties. During 1958, the Company plans to install 270 miles of gas mains and 27,000 gas meters.

N.Y. Telephone Plans $251 Million Outlays In 1958

THE New York Telephone Company plans to spend some $251,000,000 on expansion this year, down from $286,000,000 in 1957.

In the New York City area, where the company has the overwhelming bulk of its phones, expenditures are being budgeted at $146.5 million this year, down from $164.5 million in 1957.

Keith S. McHugh, president of New York Telephone said the number of phones in its statewide territory increased by more than 300,000 last year to a total of 7,300,000.

Mr. McHugh said the company's "long term program calls for $250 million to $300 million a year of construction."

Lone Star Gas to Spend $26,000,000 In 1958

DIRECTORS of Lone Star Gas Company, Dallas, Texas, have approved a budget calling for capital expenditures totaling $26,411,400 during 1958, L. T. Potter, president, announced.

The budget allocates $16,012,000 for construction of transmission and distribution facilities by the parent company in the 455 communities it serves in Texas and Oklahoma, and $10,399,400 for drilling and deepening of 100 wells by Lone Star Producing Co., a wholly-owned subsidiary. The subsidiary operates in Texas, Oklahoma, Louisiana and New Mexico.

Lone Star's gas sales in 1957 totaled approximately 229 billion c feet, up from 218,336,227,000 c feet in 1956, Mr. Potter reported predicted sales in 1958 will ris about 260.5 billion cubic feet.

At year-end, Lone Star had 8 000 customers, a gain of 26,000 customers during 1957, Mr. Po said. He added that the company pects to gain an equal number of customers in 1958 for a total of al 830,000 by the end of the year.

ALWAC Marketing Directo Predicts Record Year

ANDREW T. FISCHER, marke director of the ALWAC Corporat Hawthorne, California, electr computer manufacturers, said the Corporation "is expecting 195 be a record year both in sales and velopment of new products."

Mr. Fischer, who is based in N York, was in Hawthorne recently conferences with top company offic on installations of the ALWAC II computers which are scheduled for early months of this year.

Thirty-two ALWAC III-E co puters are in operation in the Uni States, Canada and Europe, Fischer said, and seven additional stallations are scheduled in the f quarter of 1958. These include ins lation at Cleveland Electric Illumin ing Corp., Cleveland, Ohio.

J. F. Pritchard & Co. Appointment

J. F. PRITCHARD and Compa Kansas City, Missouri, designers, gineers and constructors for the pet leum, chemical, natural gas and pow industries, announces the appointm of Kenneth G. Holdom as manager the eastern district with offices in N York City.

Mr. Holdom replaces Mr. A. B. M Clelland who will become an executi of the Siboney Caribbean Oil Co pany with headquarters in New Yo

Copes-Vulcan Bulletin

THE superior design points of fu nace wall deslaggers are discussed Bulletin #1034, recently published Copes-Vulcan Division, Blaw-Kn Company, Erie 4, Pa.

Mechanical design of the unit illustrated by cross-sectional dra ings, and schematic sketches show t major operational features of t swivel-tube rotation and retracti actions.

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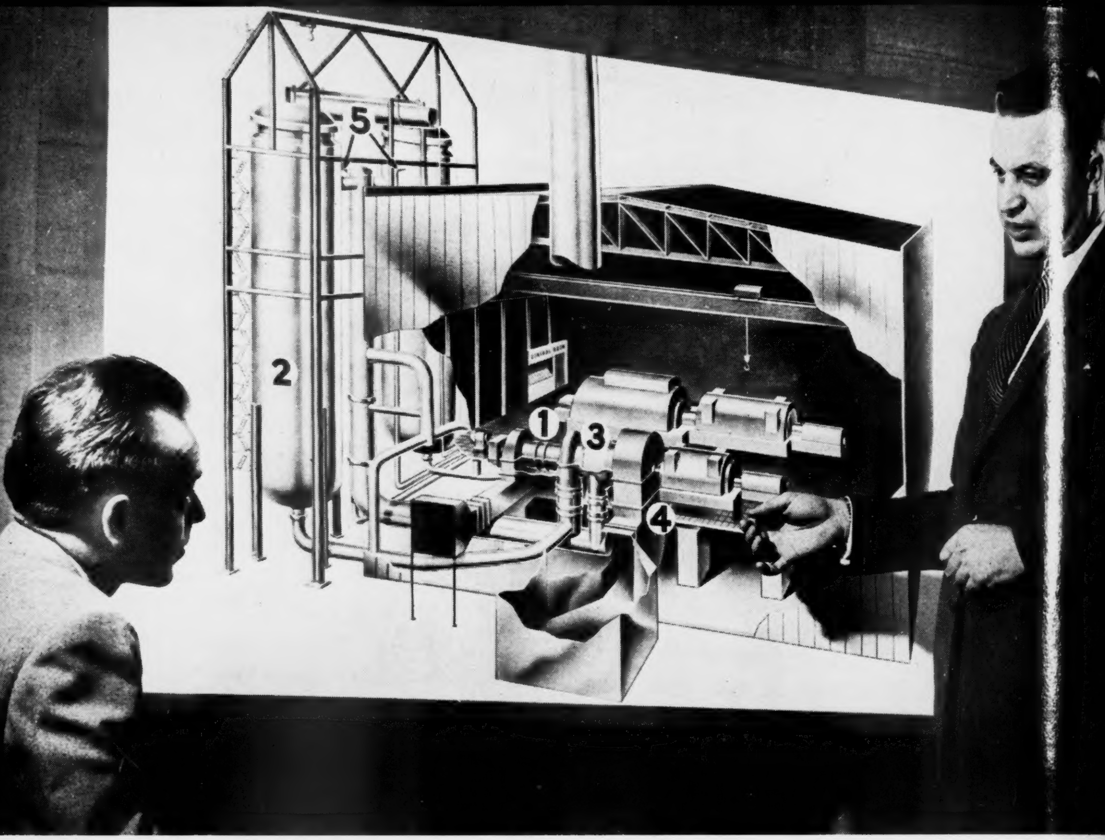

COMBINED GAS-STEAM CYCLE begins as air enters compressor (1) and is discharged to boiler (2). From boiler, gas enters gas turbine (3), and exhausts (4) to economizer, stack gas cooler, and stack. Steam at (5) goes to steam turbine. The supercharged boiler design shown in the illustration above appears through courtesy of Foster Wheeler Corporation. Discussing economies of new combined-cycle power plant are General Electric's W. D. Marsh (left), Engineering Planning & Development Section, and H. A. Carlson, Gas Turbine Department.

General Electric announces 133,500 kw combined gas-steam cycle power plant

These benefits are expected:

- **6% lower heat rate**
- **reduced boiler weight and volume**
- **low plant investment**
- **faster plant start-up**

The combined gas-steam cycle power plant offers promise of major heat rate gains. In this respect, the combined-cycle plant is one of the most significant developments in the electric power generation field since the General Electric Company installed the first steam turbine-generator unit using the modern reheat cycle in 1950.

General Electric turbine engineers expect net station heat rate for this gas-fired, combined gas-steam cycle to be 9,413 Btu/kw-hr —with little or no increase in plant investment. This rate compares with 10,045 Btu/kw-hr for a conventional steam cycle using a similarly rated, tandem-compound, double flow unit of the same steam conditions.

Looking still further into the future, General Electric engineers expect operating experience with a gas-fired plant to help speed the adaption of the combined cycle to oil- and coal-fired plants. For more information on how your utility can achieve lower cost generation by applying this new plant, contact your General Electric Apparatus Sales Office, or request bulletin GER-1452 from General Electric, Section 301-372, Schenectady 5, New York.

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